

# FINANCIAL TIMES

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the week  
with...



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Separate Sections

MONDAY OCTOBER 23 1995

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## US says China fails to meet grade for WTO membership

The US has accused China of falling far short of the requirements for membership of the World Trade Organisation and has said Beijing needs to negotiate more constructively if progress is to be made on its stalled application to join the WTO. US trade representative Mickey Kantor said that the world's leading trading powers were "deeply concerned about China's failure thus far to meet even the minimum criteria" for WTO entry. Page 20

**Advanced Micro Devices**, the fourth largest US chipmaker, is to acquire NexGen, a small microprocessor developer, in a stock deal valued at about \$860m. Page 21

**Dini faces no-confidence vote**: Italian prime minister Lamberto Dini faces a no-confidence motion, brought by the rightwing alliance headed by former premier Silvio Berlusconi, with only a limited chance of survival. Page 20; New period of instability. Page 19

**German Greens make election gains**: Germany's environmentalist Greens could hold the balance in Berlin's next city government after the Social Democrats suffered heavy losses and the liberal Free Democrats failed to win enough votes for re-election to the city's parliament. Page 2

**Japanese protesters target US**: Japanese prime minister Tomichi Murayama will hold emergency talks on how to defuse a surge of protests against US forces in Japan following a rally by 50,000 residents of Okinawa against the alleged rape of a schoolgirl by three US servicemen last month. Page 4

**Hanson**, the Anglo-American conglomerate which paid £2.5bn (\$3.8bn) for the UK regional electricity group, Eastern, is seeking to raise £1.5bn in the international syndicated loans market. Page 22

**Deutsche Morgan Grenfell**, the German merchant bank, has approached international investors to sell \$50m of proxy shares in giant Russian company Gazprom, which controls one third of the world's known gas reserves. Page 23

**Cable and Wireless Europe**, the Anglo-German telecommunications group, wants to join a global telecoms alliance planned by US computer group IBM and Italy's state-controlled telecoms holding company Stet. Page 23; Lex, Page 20

**Leaders avoid Falklands issue**: President Carlos Menem of Argentina will avoid the issue of Falkland Islands' sovereignty when he meets the British prime minister John Major in the first formal encounter between leaders of the two countries since the 1982 Falklands conflict. Page 5

**Seeded Alitalia chairman to stay**: Roberto Schisano will stay on as a director of loss-making Italian state airline Alitalia, in spite of the decision by the board to strip him of his powers. Page 2

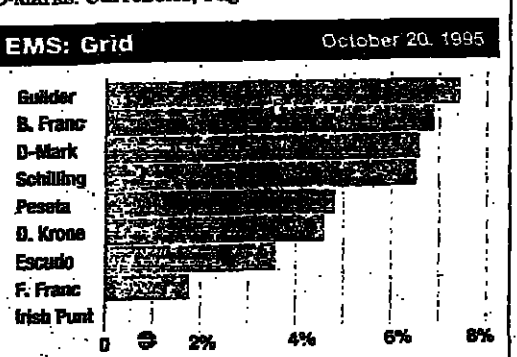
**Markets uneasy over Quebec vote**: Canada's financial markets face a turbulent week amid signs that Quebec separatists will put in a strong showing in next Monday's independence referendum. Page 5

**Swiss stick with coalition**: Swiss voters opted for stability in national parliamentary elections, returning to power a four-party coalition that has governed since 1959. Page 3

**Novelist Kingsley Amis dies**: British novelist Sir Kingsley Amis died in London, aged 73. Sir Kingsley was a leading literary figure since the publication of his first book, *Lucky Jim*, in 1954. He wrote more than 20 novels and six volumes of verse. In 1958 he was awarded the Booker Prize for his novel, *The Old Devils*, which was later adapted for the stage. Obituary, Arts, Page 17

**Schumacher clinches championship**: Michael Schumacher confirmed his second world drivers' title when he won the Pacific Grand Prix in Japan. The German, driving for Benetton, finished ahead of British Williams' drivers David Coulthard and Damon Hill.

**European Monetary System**: There was no change to the order of the currencies in the EMS grid last week, but the spread between strongest and weakest currencies rose by more than one percentage point due to political concerns in France and Italy which drove many investors to buy D-Marks. Currencies, Page 29



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilders which move in a narrow 2.25 per cent band.

Country	Code	Value	Country	Code	Value
Austria	Sch5	13.7603	Denmark	Dkr10	16.54
Belgium	Bfr100	6.5596	France	Ffr100	6.5596
Bulgaria	Lev100	166.64	Germany	DM100	100
Cyprus	Cyp20	200	Greece	Dr100	340.75
Czech Rep	Czk100	166.64	Italy	Lira1000	2000
Denmark	Dkr10	16.54	Japan	Yen100	100
Estonia	EEK100	13.3633	Netherlands	Gld100	100
Finland	Fmk100	5.9457	Portugal	Esc200	200
France	Ffr100	6.5596	Spain	Ptas100	166.64
Germany	DM100	100	Sweden	Kr100	100
			Switzerland	Sfr100	7.36
			Turkey	Lira100	100
			UK	£100	100

## Singapore takes firm line over Barings charges

By Nicholas Denton in Singapore

Singapore has signalled it will take a determined line with former Barings executives who, it was alleged last week, covered up unauthorised trading in the month leading up to the UK merchant bank's collapse.

Mr Richard Hu, the finance minister, said in a weekend interview Singapore would pursue charges against the British executives if substantive evidence against them was discovered. "We have never held back from prosecuting an individual, whether he is a Singaporean or a

Prosecutions will go ahead if substantive evidence found

foreigner," he said. The collapse was originally seen as the fault of a "rogue trader", Mr Nick Leeson, who brought down the bank with \$1.3bn of losses on futures and options dealing in the Far East. Singapore, which is close to obtaining his extradition from Germany, is examining whether other, more senior, executives were involved. Singapore's commercial affairs department (CAD), which prosecutes economic offences, has stepped up its investigations. It

held lengthy interviews in Singapore last week with Mr James Bax, regional manager for Southeast Asia at the time of Barings' failure, and Mr Simon Jones, operations manager for the region at the time. Mr Bax, who was due to leave Singapore this month, has been asked to remain. Mr Hu also singled out Mr Peter Norris, former chief executive of Barings investment bank, who is in the UK. Mr Hu said: "It would be very difficult to believe senior Barings executives, partic-

ularly Mr Norris and the financial controllers in London, knew nothing of the potential for collapse." The finance minister said Singapore, which has clashed with the US and other countries on the rigour with which it applies local law against foreigners, would not shrink from extradition proceedings if necessary. "I don't think the British government would expect us to pull back for political reasons."

He said he was drawing only from the inferences of the Singapore inspectors' report on the collapse, published last Tuesday. Investigations by the commercial affairs department, prompted by leads in the report, do not imply charges will be brought.

selfes said they relied partly on "conjecture". However, according to the inspectors, Mr Bax did ask that the \$50m discrepancy not be mentioned in the audit management letter prepared by Barings' auditors, Coopers & Lybrand.

He said, according to the report, that such a mention was likely to cause Baring Futures (Singapore), the business headed by Mr Leeson, problems with Simex, the exchange on which it traded.

The commercial affairs department will also have the opportunity to obtain more evidence once Mr Leeson is extradited.



US president Bill Clinton greets Boris Yeltsin, centre, and Jacques Chirac, his Russian and French counterparts, at the start of the UN's 50th anniversary celebrations in New York. Photo: Associated Press

## World leaders clash at UN anniversary celebrations

By Michael Littlejohns and Quentin Peel in New York

Sharp disagreements emerged yesterday between the world's leaders, including President Boris Yeltsin of Russia and US President Bill Clinton, when they gathered in New York to celebrate the 50th anniversary of the United Nations.

Mr Yeltsin strongly attacked the US-led plans for a peace implementation force in Bosnia, to be commanded by Nato, and Nato's plans for enlargement of its membership to include the new democracies of central and eastern Europe.

Mr Clinton clashed in turn with President Fidel Castro of Cuba, attending a meeting of the

UN for the first time since 1979, attacking his government for rejecting democracy. Mr Castro denounced Washington for its trade embargo on his country, and criticised all nuclear powers, as well as the "reckless consumerism" of the wealthy industrialised states.

Japan and New Zealand attacked France and China - both by name and by implication - for their continued nuclear testing in Asia and the Pacific.

Leaders of developing countries and the smaller member states of the UN demanded sweeping reforms of the institution to reduce great power dominance in the security council, and pressed for its expansion to include new permanent members from Africa,

Asia and Latin America. And Mr Boutros Boutros Ghali, the UN secretary-general, issued an urgent appeal to all member states, and to the US in particular, to pay their outstanding financial contributions to save the UN from imminent bankruptcy.

The divisions underlined the degree of disharmony prevailing in the world body, although members were united in emphasising the critical importance of the UN to maintaining world peace, and alleviating suffering.

Continued on Page 20  
World's leaders put themselves in the picture, Page 6  
Time to correct the UN's weaknesses, Page 19

## Czech mate moves to back seven mystery companies

By Anthony Robinson in London and Vincent Boland in Prague

The Czech republic's mass privatisation strategy has been boosted by a \$140m investment in seven quoted Czech companies by Stratton Investments Ltd, a new private investment firm owned by Mr Michael Dingman, who made a personal fortune building industrial conglomerates in the US.

The identity of the seven companies will be revealed after their managements have been informed of their new major shareholder, according to Mr Daniel Arbess, the Prague-based former head of the privatisation division of White and Case, the

international law firm, who leads the new investment firm.

The shares were sold to Stratton by Harvard Fund, the Czech investment fund set up by Mr Victor Kozeny. The sale agreement gives Harvard a 10 per cent interest in any future rise in the value of the shares sold.

Mr Kozeny, who like Mr Dingman is Bahamas-based, pioneered Czech funds and persuaded Mr Dingman that the new investment firm, which plans similar "hands-on" investments in other former communist states, should be launched in the Czech republic.

"Buying shares in the seven Czech companies marks the first significant external purchase of

Czech shares and the largest multi-block transaction. It breaks open what has hitherto been an insiders market," Mr Arbess said.

The new investment is expected to galvanise the Prague bourse but should also boost the standing of Mr Vaclav Klaus, the prime minister, who was the main architect of mass privatisation and is standing for re-election next year.

Until now, shares in the over 1,800 privatised Czech companies have been held mainly by inexperienced and illiquid Czech investment funds who traded shares among themselves.

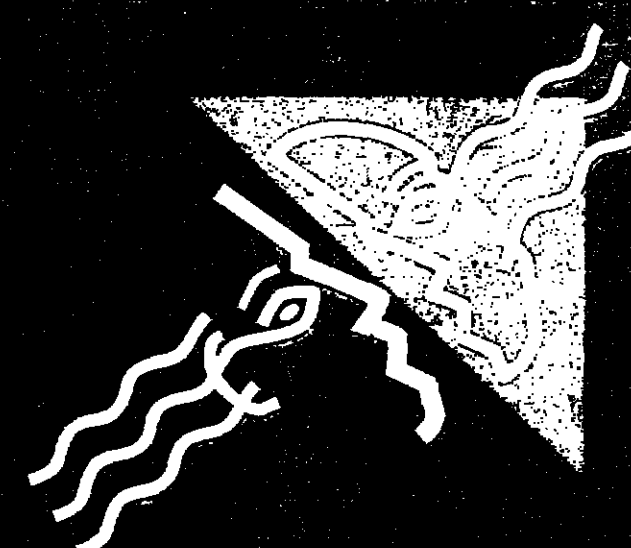
\$140m investment, Page 21

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TRADE INDEMNITY

## NEWS: EUROPE

# Greens rise, SPD falls in Berlin poll

By Judy Dempsey in Berlin

Germany's Party of Democratic Socialism (PDS), the successor to the former East German Communist party, and the environmentalist Greens yesterday made sweeping gains in Berlin's city elections while the Social Democrats (SPD) suffered heavy losses and the liberal Free Democrats failed to win re-election to the capital's parliament.

But Chancellor Helmut Kohl's conservative Christian Democrats (CDU) yesterday said they were confident they would form another "grand coalition" with the SPD, although they would face formidable opposition

from the PDS, now Berlin's third largest party, and the Greens.

According to projections by ARD and ZDF, the two state television networks, the CDU polled 35.9 per cent, nearly four percentage points lower than in 1990, while the SPD's share of the vote fell sharply from 30.4 per cent to 23.8 per cent. The FDP's vote collapsed to 2.1 per cent, a decline of nearly five percentage points from 1990 and far below the 5 per cent minimum required to enter the city's parliament.

The poor SPD result is likely to increase pressure on its leader, Mr Rudolf Scharping, to sharpen the party's profile on the national level, or

even resign. SPD officials last night had blamed the internal divisions within the federal party organisation for its poor showing in Berlin.

The collapse of the FDP vote is the party's 12th defeat in state elections over the past two years. It is a bitter blow to Mr Wolfgang Gerhardt, recently elected head of the FDP, and a personal defeat for Mr Günter Rexrodt, the economics minister and head of the FDP in Berlin. Mr Rexrodt last night said he would remain as economics minister but would consider giving up his party post in Berlin.

The FDP's defeat is also a disappointment for Mr Kohl, as he relies on

the liberals as his junior coalition partner and with them enjoys only a majority of 10 seats in the Bundestag, the parliamentary lower house.

But it was the success of the PDS which proved the greatest upset for the established parties. It polled more than 14.6 per cent city-wide, compared with 9.2 per cent in 1990. But in east Berlin it gained 35 per cent of the vote and is now the largest party in this part of the city, confirming that the German capital is still politically divided, if not polarised, five years after reunification.

The Greens, who saw their vote rise from 9.3 per cent in 1990 to above 13 per cent, were last night tempted to

consider a coalition with the SPD. Together they have 70 seats of the Berlin parliament, one more than the CDU. But the Greens last night said the poor showing of the SPD probably ruled out such a coalition since it would depend on support from the PDS, which many west Berlin SPD deputies would oppose.

An SPD Green coalition also exists in the eastern German state of Saxony-Anhalt, but only with the support of the PDS.

Mr Eberhard Diepgen, the mayor of Berlin, and the CDU's leading candidate, last night said he would co-operate with the SPD rather than go into opposition.

# Bus passes and bribes as Russian parties line up

By John Thornhill in Moscow

About 40 political parties representing views from Moslem revivalists to communist revanchists were last night expected to have gathered enough support to contest Russia's parliamentary elections on December 17.

But the head of Russia's central electoral commission said the registration process had been marred by gross violations, including bribery and intimidation. Each party had to collect 200,000 signatures by yesterday's deadline to qualify to run in the elections, seen as a critical test of Russia's nascent democracy.

Mr Nikolai Ryabov, the commission's chairman, said one party had tried to collect signatures by selling subsidised bus passes while another attempted to boost its popularity by claiming - falsely - that it had been endorsed by the head of Moscow's circus.

Potential signatories had also complained of intimidation at their workplaces and overt bribery.

"We have sent some complaints to the Interior Ministry and they will take sanctions," Mr Ryabov said at the weekend.

The official list of qualifying parties will be published on November 1, signalling the start of the election campaign for the 450-seat State Duma, the lower chamber of parliament. Half the deputies will be selected from the most popular parties' lists, with the rest being directly elected in single-mandate constituencies.

The Communist party, headed by Mr Gennady Zyuganov,

nov. and the nationalists grouped around the charismatic former army officer, General Alexander Lebed, are expected to do particularly well in the election.

But support for the extreme nationalist Liberal Democratic Party of Russia, headed by the controversial Mr Vladimir Zhirinovskiy, appears to be falling. The LDPR did surprisingly well in the previous parliamentary elections in 1993 and currently forms the biggest faction in the Duma.

One party said the head of Moscow's circus endorsed it

Russia's liberal reformers have divided their support among many smaller parties dominated by powerful egos. But the emergence of a moderate reformist bloc, Mr Yury Luzhkov, the prime minister, could bring stability to the centre ground of Russian politics.

Political analysts suggest the elections will be an important test of the country's mood but may have only a limited impact on government, given the president's strong executive powers. Elections for the presidency will be held next June.

Mr Anatoly Chubais, the first deputy prime minister and standard-bearer of Russia's economic reforms, said at the weekend the duma's political content would not change much.

# Ousted Alitalia chief set to stay on as director

By Andrew Hill in Milan

Mr Roberto Schisano intends to stay on as a director of Alitalia, the loss-making Italian state airline, in spite of the decision by the board last week to strip him of his powers.

The former chief executive lost the confidence of Iri, the state holding company which controls Alitalia, after failing to solve a year-long industrial dispute and to meet the objectives laid out in his own restructuring plan.

"I don't think I'm going to resign for the time being," Mr Schisano said after the board's decision. "I want to make sure that the best interests of Alitalia are protected, for the company, its personnel, its shareholders and everybody concerned."

The board voted to transfer Mr Schisano's extensive executive powers to Mr Renato Riviero, the chairman, who joined Alitalia at the same time as Mr

Schisano in February 1994. It also set up a four-man executive committee, from which Mr Schisano is excluded. It is believed that unless the board resigns and calls a shareholder meeting to vote on new directors, it cannot expel Mr Schisano.

His continued presence on the board could be a thorn in the side of Mr Riviero, who vowed last week to rebuild the "climate of mutual trust and co-operation" at the airline. It is understood that a majority of directors, appointed by Iri, voted to strip Mr Schisano of his powers, while two independent directors supported him.

The board meeting on Thursday, which lasted five hours, was dominated by a long presentation by Mr Schisano, a former executive at Texas Instruments of the US, on the progress of the restructuring plan. He says the plan has not been knocked as far off course as Iri claims.

"The strategies we are implementing are the correct ones, so it seems somehow difficult to understand why the team that is doing all this remains in place, except for the man who has put the plan together," Mr Schisano said.

Iri's chairman stressed last week that Mr Schisano's departure was not a result of government pressure. But the demotion of the chief executive could backfire on Iri and Alitalia if the unions take it as a signal that the government, rather than management, is now calling the shots at the airline. Their dispute has yet to be resolved.

Separately, a shareholder meeting at Aeroporti di Roma, the former Alitalia subsidiary which runs Rome's airports, is expected today to replace Mr Antonio Cucurullo as chief executive. Like Mr Schisano, Mr Cucurullo left Texas Instruments to join Aeroporti di Roma.

# Basque region's tax cut plans embarrass Madrid

By David White in Madrid

The Spanish government's budget headaches risk being aggravated by moves in the Basque region to undercut the rest of the country on company tax.

The threat of internal tax competition comes as the minority Socialist administration braces itself for rejection of its 1996 budget in parliament this week.

A new battlefront has been opened by the announcement of a draft tax plan by the provincial council of Vizcaya, one of the three small provinces that make up the self-governing Basque region.

The Basque country and neighbouring Navarre are the only regions of Spain which raise taxes themselves instead of receiving funds from the central government. In the Basque case, responsibility for tax collection is vested in the separate provinces, an arrange-

ment based on ancient privileges suppressed during the Franco dictatorship.

Vizcaya, which includes the industrial port city of Bilbao, is the main stronghold of the Basque Nationalist party (PNV). In an attempt to stimulate new investment, the PNV-led provincial council plans to set a standard corporate tax rate of 30 per cent, below the national rate of 35 per cent. Further reductions to 25 or 20 per cent are envisaged in the case of very profitable companies.

The plan, which includes a series of other tax incentives, is aimed at offsetting the decline of traditional steel, shipbuilding and heavy engineering industries as well as the negative impact of terrorist activity in the region.

The other Basque provinces of Alava and Guipúzcoa are studying similar measures. The regional government, headed by the PNV in a coal-

ition which includes the Socialists, has expressed its support for the proposals. Local employers have also welcomed the move.

Mr Pedro Solbes, the Spanish finance minister, described the initiative as "completely contrary to a reasonable course".

The planned new rates, due to take effect next year, will apply to companies that are either locally based or have at least 35 per cent of their activity in the region. The initiative is backed by local representatives of the Popular party, the main conservative opposition.

The 35 per cent corporate rate is maintained in the government's 1996 budget bill, which is due for its first reading in parliament on Wednesday and is likely to be rejected following the government's loss of support from Catalan nationalists. This means the current budget will be extended into next year, with some updating.

## EUROPEAN PRESS REVIEW

# Newspapers respond in kind to Claes's criticism

BELGIUM

By Caroline Southey

Mr Willy Claes identified a second enemy within Belgian society as he lashed out at the justice system during his final speech as secretary general of Nato last Friday: the Belgian press.

The presumption of innocence remained one of the principles of a democratic state, he said. "Nonetheless from experience I know that a politician accused is therefore considered to be guilty."

He immediately went on to blame the press. "There is no doubt that in the Belgian press there were several journalists who played the man and not the ball," he said.

Newspaper editors did not take kindly to the jab and this weekend showed few signs of contrition. Torna between fear that Mr Claes's shame would in turn invite shame on Belgium and anger that he had taken so long to go, and then gone with such fanfare, they had few kind words for him.

Not even Mr Claes's Flemish roots came to his rescue. Most of the Flemish newspapers, except most notably the provincial paper in Limburg where he served as a Socialist member of parliament for 30 years, found common cause with the French dailies.

Newspapers devoted large amounts of space to Mr Claes as the drama unfolded last week. The media circus began in earnest the weekend before last when a parliamentary panel voted to lift Mr Claes's immunity so that he could face charges of corruption, fraud and forgery in connection with a bribery scandal involving the Italian helicopter maker Agusta.

De Morgen, the leading Flemish socialist paper, commented caustically that the blanket coverage of the Claes affair was in danger of presenting simplifications rather than the reality.

But the story took on a different dimension when, on Thursday night, the parliament confirmed the panel's decision. By Friday afternoon Mr Claes had announced his resignation.

Le Soir, the leading right-of-centre French-language daily, welcomed the fact that the case was now outside the political arena and in the hands of the court. But in its weekend editions, it observed that Mr Claes changed from "a lamb into a wolf" on Friday by turning against his native Belgium in front of a mass of journalists from around the world.

The resignation, in front of journalists who had come from the four corners of the earth, "was a sad development" and

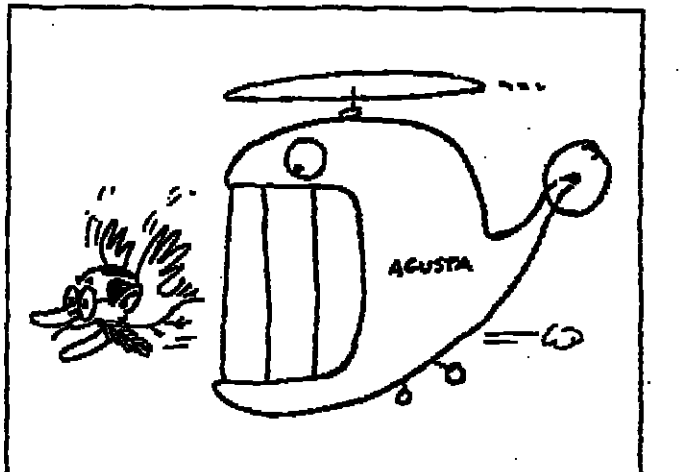
"does not add to our credit", it said.

Bitterly suggesting that this was perhaps not the right time to begin an attack against a system that had been in place for 30 years, the newspaper threw down the gauntlet. Instead of attacking the imperfections of the Belgian state, should Mr Claes not have used his power to change the system? Why had he waited until

appointed Mr Claes in September last year?

"How can it be that Willy Claes could go to this job without any apparent difficulties at a time when, although his party was not yet cited in the Agusta file, the name of the former minister had already been cited a few times?"

However, one lone voice of unquestioning solidarity rang out. *Het Belang van Limburg*,



La Libre Belgique sees a high-flyer brought down

he was out of the system to attack the fundamental rules of the society?

La Libre Belgique, the French-speaking newspaper with a strong Catholic flavour, pointed out that under normal circumstances politicians in trouble were brave and decent enough to resign so that they could face the charges without troubling the life of the government. Mr Claes, it said, did not.

Le Echo, the main financial daily, accused Mr Claes of an "unforgivable error". By staying on in his prestigious job he had threatened his own credibility and that of his country.

Het Volk, the Flemish daily, pointed out that nobody knew whether he was guilty or not. But, the paper felt, Mr Claes must have known. If the chamber of deputies sends him to court, it said, it is because he should have known there was a problem with the Agusta contract.

The *Gazet van Antwerpen* concurred that parliament had taken a logical and inevitable decision. "They had no other choice but to send him to court," it said.

But De Morgen came to his defence. "Willy Claes was not completely wrong when he saw an injustice of the first order in this affair." It went on to point out that the court could have put together a similar large dossier on others in relation to the payments made to political parties at the time.

De Standard, the largest Flemish daily, turned its anger on Nato. The alliance had made a "rash decision" when it

an influential provincial paper in Flanders, headlined its editorial: "Torture of one generation." "He was a rare Belgian," it said, who had succeeded where Jean-Luc Dehaene had failed, by being recognised on the international stage. The story of Willy Claes was not about the fall of only one Belgian politician. "It tortures an entire generation of politicians which has participated in the insane game of the party's finances."

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# LET'S TALK BUSINESS! PAKISTAN OFFERS UNMATCHED INVESTMENT INCENTIVES



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EUROPEAN NEWS DIGEST

## Swiss voters return coalition

The Swiss again voted for stability in national parliamentary elections yesterday, returning to power a four-party coalition that has governed since 1959.

Early voting returns indicated only marginal changes in the coalition parties' relative strengths. The two centrist parties appeared to hold their ground in the 200-seat lower house, while the left-wing Social Democratic party and the right-wing Swiss People's party were each poised to gain two or three seats.

The clear position the Social Democrats and the People's party took on the European question helped them, a political analyst said on Swiss television.

The Social Democratic party, which favours Switzerland joining the European Union, raised its vote in the cities, while the People's party, which opposes EU membership, increased its standing in rural areas, especially in German-speaking cantons. The government's official policy is that Switzerland should one day join the EU, but no timetable has been set because opinion surveys show that people are still sharply divided over the question.

Under Swiss practice, parliament elects the members of the seven-member federal council or cabinet. No change is expected in the membership or the so-called "magic formula" which provides for a balance of members of the coalition parties and representatives from the three main linguistic communities.

Tan Rodgers, Zurich

## Greek highway project manager

The Greek government has selected Brown & Root Civil, the UK-based project managers, to oversee a \$3.5bn (£2.25bn) project to build a toll highway across northern Greece to the Turkish border. The 680km Egnatia highway, which would partly follow the route of an ancient Roman road across the Balkans, is the largest road project in Europe.

Brown & Root will set up and run a state-owned company, Egnatia Odos, that will build and operate the highway, which will link the port of Igoumenitsa in north-western Greece with Alexandroupolis in Thrace. Construction is expected to start next year and take six years to complete.

The appointment of a project manager opens the way for Greece to draw down at least \$1bn in grants from the European Union for the highway project and apply for soft loans of up to \$1.2bn from the European Investment Bank. Under new EU rules, the Greek public works ministry is required to install project managers for big infrastructure works before Brussels can start disbursing funds.

Brown & Root would also undertake to raise additional private sector financing totalling about \$700m for the highway, as the Greek state contribution would not suffice to cover the remaining costs.

Kerin Hope, Athens

## Amendment for French budget

France's National Assembly proposed an amendment to the 1996 budget bill over the weekend after a heated debate on receipts, proposing a central government budget deficit of FF2.8bn (£354m) lower than originally targeted.

The lower house of parliament said the proposals, to be put to a vote tomorrow and then passed to the Senate towards the end of November, would cut the deficit to FF286.9bn from FF289.7bn. The 1995 central government budget deficit, which is separate from the troubled social security accounts, was fixed at FF322bn.

Financial markets have been worried recently about the government's ability to achieve its target of reducing the total public deficit to 4 per cent of GDP next year and 3 per cent in 1997, from 5 per cent this year.

Reuters, Paris

## NF may lose Toulon mayoralty

France's far-right National Front risks losing the city of Toulon, its biggest success in municipal elections held last June, because of allegations that the mayor broke a technical aspect of the campaign finance law.

The national body which supervises French political funding laws has complained that Mr Jean-Marie Le Chevallier infringed the law by letting his campaign treasurer run for election on his National Front list.

Some 134 other local politicians, belonging to all parties, are also in trouble for breaking the rule that campaign treasurers are not eligible for election. But the Toulon case is the most sensitive because it involves the National Front, and the most controversial because its treasurer, a Mr Jean-Claude Poulet Dachary who won election on Mr Le Chevallier's list, died in late August in mysterious circumstances.

The campaign finance body's complaint will now go before a local tribunal.

David Buchanan, Paris

## E Europe environment meeting

Environment ministers from 55 European countries and leading industrial countries meet in Sofia today to try to sustain the flow of western aid to clean up east and central Europe.

The three-day meeting, the third under the Environment for Europe initiative, will have little new money to give away. But ministers hope to generate action in other ways through policy reform, institutional strengthening, and involving the private sector more closely in the work. Leading businessmen have been invited to participate in selected sessions.

The conference will also discuss the work of the international leading agencies, such as the World Bank and the European Bank, which have been funding clean-up projects in waste and water management.

A draft set of priorities prepared by officials puts the collation of information on the state of Europe's environment, and the integration of environmental considerations into decision-making at the top of the list. Other recommendations include action to raise energy efficiency, combat global warming, reduce transport pollution and improve water resources.

David Lascelles, Resources Editor

## CONTRACTS & TENDERS

### OPEN PUBLIC AUCTION FOR THE CONCESSION OF LANDS IN THE FREE ZONE GALATI

Free Zone Administration Galati - Romania - located in Galati, A11, Cuza Street, Cristal Block, is organising an open auction for the concession of lands for production, trade, banking, service and storage activities on a total surface of 1,300,000 sqm. The auction will take place on the 23rd of November, 1995, 11 o'clock local time.

The application should contain the following information:

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- The surface required;
- The activities for which the concession is required;
- The duration for which the concession has been requested.

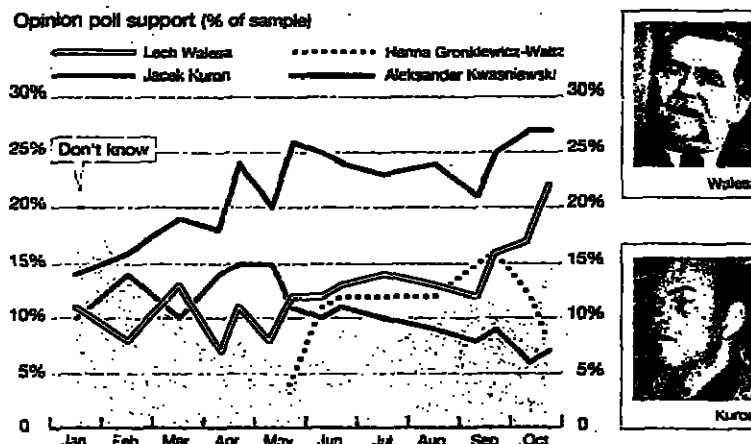
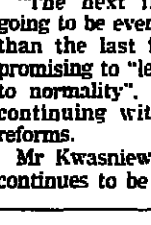
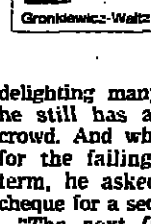
The deadline for letters of application is November 20, 1995, at the Free Zone Galati headquarters.

The tender documentation and other information are available at Free Zone Administration headquarters between 8 - 16 hours or at the following numbers: 40-36-411222; Fax: 40-36-414929

# Walesa fights to retain voters' affection

But former Communist party chief Kwasniewski is still ahead as November 5 poll draws near

## Poland: picking a president



delighting many and proving he still has a way with a crowd. And while apologising for the failings of his first term, he asked for a blank cheque for a second one.

"The next five years are going to be even more difficult than the last five," he said, promising to "lead the country to normality", a reference to continuing with free-market reforms.

Mr Kwasniewski meanwhile continues to be backed by the

Communist old guard, who were out in force for an election meeting at the weekend in Lodz, a textile centre which has begun to feel the benefits of growth of 5 per cent for the second year running.

Perhaps more significant for the future is the fact that the polls show that Mr Kwasniewski enjoys more support among the younger voters than any of the other 17 registered candidates.

The pragmatic, forward-looking

SLD leader is also garnering support from those who once opposed the Communists but who now fear that the church would have too great a say in the country's affairs were Mr Walesa to win another term. In the Lodz opera house, the faithful applauded when he told them that the past 40 years were not wasted - and then added there could be no going back. From then on the message was pure political correctness, with constant under-

lining of the idea that Poland's future lay with democracy and the free market. Nato and the European Union.

With his smart suits, articulate style and grasp of the issues Mr Kwasniewski projects himself as a thoroughly modern social democratic candidate who would be at home on the hustings in any western democracy. "Lech Walesa says he is the only Pole whom foreign leaders will meet - well, I tell you that not only will they meet me but they will also understand what I say to them when they do."

The reference is to Mr Walesa's homespun and unpredictable style, which to many Poles is no longer appropriate for the kind of rapidly modernising, fast developing country Poland has become over the last six years.

Next month Mr Walesa looks set to pick up the votes of millions of Poles who are reluctant to see a former Communist in the presidential palace when the government and parliament are already in their hands. But looking further ahead, this election campaign is also showing that both Mr Walesa and his Solidarity movement are being rejected by many of the younger generation for whom the communist past and Solidarity's heroic days are history.

Christopher Bobinski

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## NEWS: ASIA-PACIFIC

# Jiang seeks higher profile in bid to tighten grip on power

By Tony Walker in Beijing

President Jiang Zemin of China could hardly have undergone a more comprehensive build-up in efforts to portray him as a leader of substance for his meeting tomorrow with US President Bill Clinton in New York.

The summit's importance for Mr Jiang goes well beyond issues such as differences over Taiwan, human rights and arms proliferation.

China's president, who is seeking to consolidate his hold on power as the country's ailing patriarchal leader, Mr Deng Xiaoping, fades away, embarked in September on a series of meetings, speeches, public appearances for propaganda effect and interviews to bolster his reputation at home and abroad ahead of his visit to New York.

While Mr Jiang, unlike Mr Clinton, is not obliged to face an election, his grip on power would be strengthened by a credible showing in New York, where the Chinese might expect him to exhibit more assurance than his uncertain performance when last in the United States, in 1993 for a meeting of the Asia and Pacific Economic Co-operation Forum (Apec).

Mr Jiang, 69, used as a springboard for his latest drive to strengthen his grip on the leadership a meeting in late September of the central committee of the Communist party which sanctioned the promotion of key allies in the military and the sacking of an



Jiang: seeking more assertive role on world stage

arch-rival for corruption from the politburo.

The gathering also provided a forum for Mr Jiang to seek to portray himself as a leader capable of withstanding pressures in the next difficult phase, and one who is anxious

to emerge from the shadow of the 91-year-old Mr Deng, whose failing health is thought to put him beyond influencing day-to-day events.

Among recent key events was a 10,000-word speech delivered to September's party

plenum in which Mr Jiang consciously tried to assume the mantle of a Chinese leader in the tradition of Mao Zedong and Mr Deng by outlining his beliefs in a speech entitled "On the correct handling of the 12 major relationships".

This recalled Mao's polemical address in 1956 in which he sought to rally the nation with a speech "On the 10 great relationships". The Chinese officials, in their preparations for the Clinton meeting and Mr Jiang's attendance at the 50th anniversary celebrations of the United Nations, have indicated a desire that China's president should become more assertive on a world stage in line with Beijing's growing weight internationally.

But Mr Jiang has performed diffidently at past international gatherings such as Apec meetings, doing little to dispel an impression that he is a transitional figure who may not last the distance.

Last week's appearance at a naval exercise with virtually all the country's top brass was clearly aimed at persuading both domestic and international opinion that Mr Jiang has the support of the military and intends to play a more forceful role.

His shouted instructions through a megaphone to sailors on manoeuvres recalled the exact words of both Mao and Mr Deng when they addressed military parades at critical moments in their leaderships.

Mr Jiang is seeking to don the emperors' clothes.

## Chinese open second city to foreign insurance companies

By Tony Walker in Beijing

China has opened Guangzhou to foreign insurance companies in a further cautious liberalisation of its financial services market, but the first stage is likely to limit new licences in the southern Chinese city to two or three insurers.

Mr Yang Wenyu, director of the foreign financial institutions department of the People's Bank of China, said the State Council in Beijing approved Guangzhou as the second open city for foreign companies after Shanghai.

Two companies, American International Group (AIG) and Tokyo Marine and Fire Insurance Company, have

established offices in Shanghai and are conducting life and non-life business. Both companies have applied to open in Guangzhou.

Mr Yang told the official China Daily that China was considering allowing an additional "one or two" more foreign companies to enter the field, but he did not say when.

He also did not give any indication when other cities might be opened to foreign insurers. China, whose own insurance industry is now undergoing rapid transformation, appears in no hurry to introduce greater competition.

China began permitting foreign insurance companies to open representative offices in

1992. By the end of June 73 companies had established a presence in Chinese cities, lured by one of the world's richest untapped insurance markets.

Mr Yang said the "three-year experiment" with foreign insurance companies had facilitated the development of the local insurance industry, but he cautioned that the process of opening should be gradual.

"We could only gradually explore the feasibility and steps of opening up the insurance market based on experimentation," he said.

Mr Yang also indicated a change in regulations governing the operations of foreign insurers in China. They

are now permitted to apply to establish branches two years after setting up representative offices instead of the previous three years.

China, whose insurance industry is dominated by the People's Insurance Company of China, has three national insurers and 22 regional companies.

The Chubb Group of Insurance Companies will open a representative office in Shanghai, following one set up last year in Beijing.

In its efforts to establish a foothold in China, Chubb is contributing \$1m over five years to establish the Chubb School of Insurance at the Shanghai University of Finance and Economics.

## EU will help monitor accord on cars

By Guy de Jonquieres in Harrogate

The US and Japan have agreed to involve the European Union and other leading trading partners in monitoring the implementation of their recent bilateral agreement on trade in cars and car parts.

Mr Mickey Kantor, US trade representative, said he was "delighted" that Mr Ryutaro Hashimoto, his Japanese counterpart, had accepted in talks this weekend in Harrogate, northern England, that the European Union and Australia - and possibly other countries - be given observer status in the monitoring process.

The agreement follows strong pressure from Sir Leon Brittan, the European trade commissioner, who has insisted that the EU be included to ensure the agreement benefited all Japan's trading partners and did not discriminate in favour of American manufacturers. However, Sir Leon said that he still wanted to clarify what Japan meant by observer status.

Mr Kantor said he would seek further talks with Japan on extending its nine-year bilateral arrangement with the US on semiconductor trade, even though the Japanese government has said that it does not intend to renew the accord after it expires in July.

"The US, of course, supports the extension or renewal of the semiconductor agreement," Mr Kantor told a press conference at the weekend.

However, Mr Hashimoto said the arrangement had achieved its goal of increasing foreign penetration of Japan's chip market and was no longer needed.

Mr Kantor said he and Mr Hashimoto had failed to make progress in their dispute over complaints by Kodak of the US that Fuji of Japan was using anti-competitive practices to limit Kodak's share of the Japanese photographic film market.

However, the US trade representative said he was encouraged that the US trade deficit with Japan had fallen for five consecutive months.

The fall showed that US efforts to open up Japan's markets were making progress, he said.

## Japanese try to defuse anti-US protests

By William Dawkins in Tokyo

Mr Tomichi Murayama, the Japanese prime minister, is to hold emergency talks this week with his coalition partners on how to defuse a surge of protests against US forces in Japan.

This follows a rally on Saturday by 58,000 residents of Okinawa in protest against the alleged rape of a schoolgirl by three US servicemen last month. It was the largest demonstration against US troops during the 50 years they have been stationed in Japan. The southern island of Okinawa hosts three-quarters of US facilities in Japan.

The Japanese foreign ministry has watched the Okinawa dispute grow with intense alarm, fearing that any damage to the US-Japan alliance could unsettle the security balance in the whole of east Asia.

The demonstration was given added political weight by the attendance of delegates from the three government parties, the traditionally pro-US Liberal Democratic party, the left-leaning Social Democratic party and New Harbinger party. Their presence is evidence of the seriousness with which mainstream parties regard what is the fiercest - some say the only - national debate over the desirability of US bases in Japan.

Mr Murayama said he wanted to resolve the dispute with the residents of Okinawa, who wish US troops to be moved to the Japanese mainland, before his summit with US President Bill Clinton on November 20.

The coalition will consider a petition from the Okinawa protesters, calling for cuts in US bases; a review of the accord which governs the conditions under which US forces stay there; compensation for the rape victim and tougher discipline among US troops. It stops short of calling for a full troop withdrawal. There is a more immediate challenge, to persuade the governor of Okinawa, Mr Masahide Ota, to lift his veto on orders compelling landowners to lease land to the US military.

Mr Murayama is seen as sensitive to Okinawan feelings but also has to defer to the right-wing LDP, the largest member of the coalition, which would be reluctant to see anything more than a symbolic reduction in US bases. Dateline, Page 8

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## Bank governor passes first inflation test

Strong growth and price rises back below 2% have vindicated New Zealand's tough approach

New Zealand's Reserve Bank has passed its first test as the country's guardian against inflation. After underlying price rises breached the official target for the first time in the second quarter, figures published last week show them back at the 2 per cent ceiling in the third quarter. They are expected to slow further by the end of the year.

This marks the end of an embarrassing period for Mr Don Brash, the Reserve Bank governor. He will no longer face questions about whether he deserves the sack for missing the target. Under New Zealand's unique arrangements, the Reserve Bank governor is personally responsible for meeting an inflation target agreed with government.

In fact many economists in Wellington see recent inflation performance as a vindication of the country's tough approach. For once, New Zealand has experienced a period

of strong growth - 6 per cent in 1993 and 1994 - which did not blow itself out in a balance of payments and inflation crisis.

Growth has slowed markedly. The Reserve Bank is expecting it to run at only 2.8 per cent in the year to March 1996. But by historic standards, that is high, and the government's fiscal surplus is still expected to allow tax cuts next year. Still, the blip in the inflation rate raised some questions, most notably because, having responded rather late in the cycle, the Reserve Bank chose to raise interest rates to more than 9 per cent. Businessmen accused the Reserve Bank of overkill. "They were overzealous, and they did not have enough arrows in their quiver," says Sir John Anderson, chief executive of National Bank.

One snag was that the main inflationary pressures were concentrated in the non-traded sector, particularly in con-

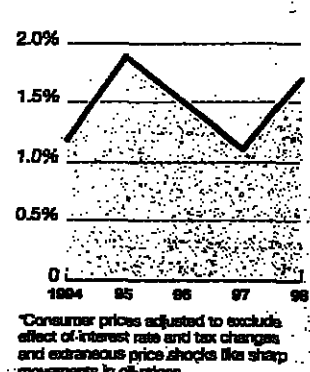


Brash: embarrassment over

struction, which saw a sudden rush of business in Auckland following the go-ahead for a casino development. Yet the impact of monetary tightening on the exchange rate hurt exporters across the whole country.

Surprisingly for a developed country, New Zealand produces inflation figures only

### Annual inflation forecasts



impact might also be smoother if the 0 to 2 per cent target for underlying inflation were broadened. "The target does have to be set very low, but two percentage points is a very tight range to be in," observes Sir Dryden Spring, president of the New Zealand Dairy Board.

Yet even critics like Sir Dryden are cautious about drawing firm conclusions on this score. It would be difficult to broaden the target without raising inflationary expectations.

As for Mr Brash, he says he would like to see underlying inflation move closer to the middle of its range, not so much to bolster his credibility but more because inflation forecasting is such an uncertain art. "You don't have any room for being wrong at a rate of 1.8 to 1.9 per cent," he says. One vindication of the policy is that it has helped wean New Zealand off fiscal excess. "Governments know voters like lower interest rates," he says.

They are less likely to spend their way out of political trouble if that caused interest rates to rise.

Perhaps that is one reason why New Zealand has been able to wait till it had a large budget surplus before considering tax cuts. In countries such as the UK, clamour for lower taxes would have come a lot sooner, but New Zealand is now in the happy position of paying off debt with minimal objections from those who would like to see greater investment in health and education.

Another reason voters are prepared to stand the pain is that they still recall the trauma of adjusting to the Muldoon administration's overspending in the 1980s. Lower government debt also means a smaller interest obligation and frees up resources for other things, says Mr Birch. "You get into a virtuous circle."

Peter Montagnon

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## Silicon Valley lure for capital

By Christopher Parkes in Los Angeles

Silicon Valley, northern California's centre of high-tech industry, attracted more than 20 per cent of all US venture capital investment in the 12 months to the end of September, according to data assembled by Price Waterhouse.

A total of 317 companies concentrated in the relatively small area around San Francisco pulled in \$1.29bn (£820m) of a total \$6.1bn monitored by the consultancy's high-technology group.

In the second ranking region - comprising seven states in the south-east - 96 companies drew in \$653m. New England, Texas and the regions around New York and Washington, where venture capitalists invested in a range between \$572m and \$445m, were significantly ahead of other areas.

Mr Don McGovern, chairman of the Price Waterhouse high-technology group, said the evidence of significant underwriting for entrepreneurs was a "sure sign of confidence in the future of the economy".

A third of the funds disbursed in the review period went to software, information and communications ventures. Healthcare followed with \$752m shared among 209 companies, while 142 biotechnology concerns shared \$490m.

While more than 50 per cent of investments went to high-tech businesses, 18 per cent of the total went to the consumer and service industries.

A third of all spending on high technology went to Silicon Valley, including 36 per cent of the total invested in biotechnology, 26 per cent of the sum committed to software projects, and 21 per cent of communications investments.

About 25 per cent of the 1,400 companies monitored benefited from start-up or early-stage capital injections, while buy-outs - involving fewer than 5 per cent of the companies - accounted for less than 15 per cent of total investment spending.

# Markets uneasy as Quebec vote looms

By Bernard Simon in Toronto and Robert Gibbons in Montreal

Canada's financial markets face a turbulent week amid signs that Quebec separatists will put in a strong showing in next Monday's independence referendum.

Opinion polls showing voters almost equally divided sent the Canadian dollar and bond prices sharply lower at the end of last week. The Canadian dollar fell almost one US cent to close at 73.67 US cents on Friday.

The gap between US and Canadian 10-year bond yields widened from 1.63 to 1.83 percentage points. Quebec bonds were especially weak.

A Groupe Léger and Léger poll, published on Saturday, gave the pro-independence camp 50.2 per cent of the vote, and the No side 49.8 per cent. The figures include an allocation of undecided voters and those who refused to reply.

However, the pro-Canada camp remains confident that it will win, albeit by a narrow margin. Federalist strategists expect an overwhelming major-

ity of undecided voters to choose the less risky option, as they did in the last sovereignty referendum in 1980.

Some voters may also switch preferences at the last minute as the economic costs of breaking up the country sink in.

The secessionist campaign has been galvanised since Mr Lucien Bouchard, leader of the Bloc Québécois, which represents the separatist cause at the federal level, took over as *de facto* leader of the Yes forces two weeks ago.

Mr Bouchard, who is Quebec's most popular politician

by a wide margin, has struck a chord by contending that a Yes vote would give Quebec greater leverage to negotiate a new economic and political partnership with the rest of Canada.

Ottawa and the other nine provinces, according to Mr Bouchard, would be forced to accede to Quebec's demands, including quick accession to the North American free trade area, in order to placate domestic and foreign debt-holders.

Political leaders outside Quebec have warned that a partnership on the separatists'

terms is out of the question. But the federalist side has struggled to drive home both this message and the huge economic risks of a Yes vote.

Fewer than 45 per cent of respondents to the Léger and Léger poll said they were swayed by the threat of losing their jobs, a falling Canadian dollar or higher interest rates. But more than 77 per cent said that "pride in being a Quebecer" influenced their decision.

The Canadian dollar and bond prices are expected to slide further in coming days if

the momentum to the Yes side continues.

Mr Daniel Kelly, director for financial markets research at CIBC Wood Gundy in Toronto, said a Yes vote on October 30 would make the following day "the scariest Halloween the markets have ever seen".

Analysts predict the dollar would plunge below 70 US cents, with short-term interest rates climbing by about two percentage points to 9-10 per cent.

On the other hand, a convincing federalist victory would prompt a strong rally.

## Menem adopts cautious line on Falklands

By David Pilling in Buenos Aires

President Carlos Menem of Argentina will avoid the delicate issue of the Falkland Islands' sovereignty when he meets Mr John Major, the British prime minister, in New York today in the first formal encounter between leaders of the two countries since the 1982 Falklands conflict.

"Of course, we will talk about the agreement we have signed for oil exploration and exploitation in the zone of conflict," Mr Menem said at the weekend. "But I do not think it will be appropriate, to talk of sovereignty."

"This is the classic first step," said Mr Emilio Cardenas, Argentine ambassador at the UN. "For that reason, both parties will proceed with enormous caution."

Mr Menem has, on several occasions, vowed to recover the Falkland Islands, known as Las Malvinas in Argentina, by the year 2000. The meeting nevertheless represents a further thaw in relations between the former enemies, which has seen diplomatic links re-established in 1990 and a recent revival of historically close commercial ties, particularly

through the participation of British companies in Argentina's privatisation programme.

A further sign of improving relations will come next week when the families of five Argentine airforce officers killed during the 1982 conflict will be allowed to visit the islands. The families, who will take part in a memorial service on Pebble Island, where their relatives died, will be the first people to travel to the Falklands on Argentine passports since the conflict.

Under normal circumstances, Argentines are not allowed to set foot on the Falklands, and the Anglo-Argentine oil agreement signed last month excludes Argentine nationals from any onshore activities. The Pebble Island visit is described by British diplomats as a "goodwill gesture".

Meanwhile, President Menem will tomorrow travel to Houston, where he is due to meet oil companies interested in participating in the Falklands oil licensing round.

The Argentine leader will try to persuade executives that they face no political risk by searching for oil in disputed south Atlantic waters, even though there are several grey



Carlos Menem: 'I do not think it will be appropriate'



John Major: first formal meeting between leaders

areas in the Anglo-Argentine oil accord signed last month.

British Gas, which has important investments in Argentina, is likely to play an

active role in oil exploration. The UK company has signed a letter of understanding with YPF, Argentina's privatised oil company, to form a joint venture in the region.

## Turkmenistan gas deals show west's interest

By Afshin Molavi in Washington and Robert Corzine in London

Two multi-billion dollar oil and gas developments in Turkmenistan were announced at the weekend in a sign of growing western interest in the former Soviet central Asian republic.

Unocal, the Los Angeles-based oil and gas company, said it wanted to lay a \$3bn (\$1.9bn), 1,300km natural gas pipeline from Turkmenistan to Pakistan via Afghanistan.

Unocal and the Delta Oil Company of Saudi Arabia, which are combining in a roughly 60-40 arrangement, signed an agreement in New York on Saturday with President Saparmurat Niyazov of Turkmenistan.

The agreement coincided with an announcement by Bidas, the Argentine company, of the discovery of a large natural gas field about 450km east of Ashgabat, Turkmenistan's capital. Bidas estimated gas reserves in the Yashlar exploration block at 27,000bn cubic feet.

Although Turkmenistan has large reserves, western interest has been limited in recent years because of political uncertainty in the region and the difficulty of exporting gas from the country. But recent

progress on an \$8bn international oil project in nearby Azerbaijan has boosted international interest in the Caspian Sea area.

Both Unocal and Delta Oil are members of the Azeri consortium.

Turkmenistan has guaranteed them at least 25,000bn cu ft of gas reserves, which would come from developed fields in the south-eastern part of the country.

The gas pipeline would have a throughput of at least 2bn cu ft of gas per day. A \$5bn oil pipeline project will also be studied by Unocal and Delta. This would run through Afghanistan to a crude oil export terminal on the Indian Ocean, Unocal officials said.

There was no official Afghan representative at the signing ceremony, prompting one senior western oil industry executive to call the pipeline "a pipe-dream".

Mr John Imle, president of Unocal, was cautiously optimistic. "We are very sensitive to the fact that Afghans were not represented at this signing ceremony," he said.

He added that several western banks and international lending institutions had expressed interest in the project in spite of the Afghanistan issue.

## Favourite emerges in US union contest

By Robert Taylor in New York

Mr John Sweeney, the 61-year-old leader of the US Service Employees' Union, looks set to become president of the country's besieged labour movement this week after an internal struggle.

Delegates are due to gather in New York today at the AFL-CIO union federation's biennial conference to vote in the first contested presidential election in the organisation's 40-year history.

Under the slogan - A New Voice for American Workers - Mr Sweeney appears to have seized the initiative with his promise to reverse the decline of US unions by launching an aggressive organising offensive among the 84 per cent of US workers who are not union members.

Mr Sweeney is believed to have secured over 55 per cent of the delegate votes while supporters of his opponent, Mr Tom Donahue, current acting AFL-CIO president, acknowledge that their candidate faces an uphill battle in the election, scheduled for Wednesday.

Although the carpenters' union switched support from Mr Sweeney to Mr Donahue at the weekend and there was lobbying yesterday in the hope of further defections, many of Mr Donahue's staff are pessimistic.

Mr Sweeney's challenge is backed by most of the larger unions, including the Teamsters, State and County Employees, and unions representing car and steel workers. His own union has doubled its membership under his presidency against the downward trend experienced elsewhere.

But Mr Donahue can count on the Food and Commercial Workers, electrical workers and teachers, as well as many smaller craft unions.

There are no deep policy differences but Mr Donahue is seen as the establishment representative after spending 16 years as deputy to Mr Lane Kirkland, who was forced into retirement as AFL-CIO president this summer.

CONVENTIONAL wisdom was that wood

floated and iron sank. It took, therefore, an

unshakeable belief in his own vision for

I.K. Brunel to forge ahead and launch his

magnificent iron creation "The Great Eastern".

When the founders of Airbus Industrie

opened for business they were in much the

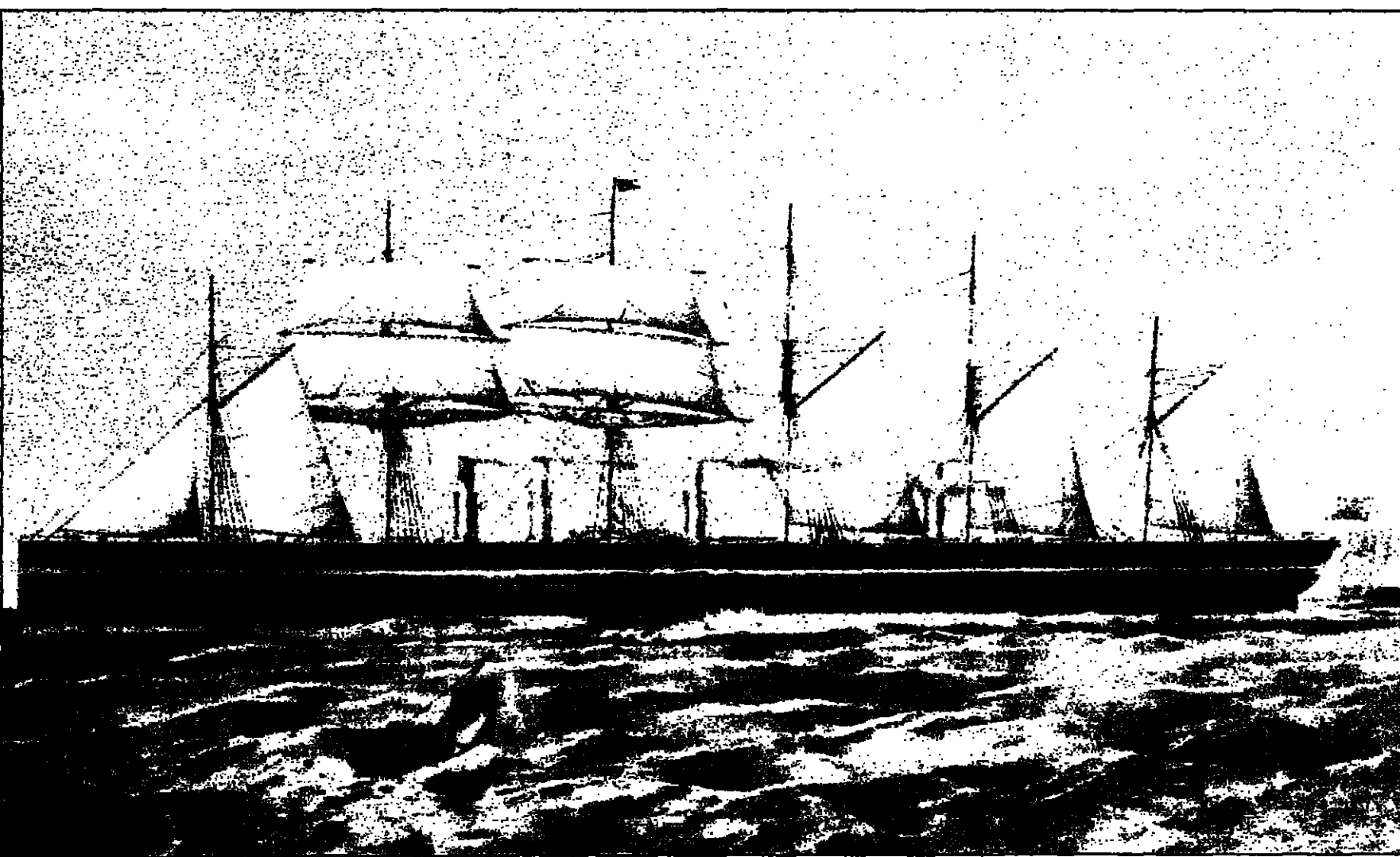
same boat, facing a tide of scepticism.

But they too were firmly convinced of

their vision. Within 2½ decades, utilising the

principles of innovative design, manufacture,

and an unparalleled level of customer service,



*"There is no Substitute for a Wooden Hull."*

Report on Admiralty Trials, Woolwich, 1830.

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passengers have been carried by customer airlines. Tens of thousands of highly skilled

jobs have been created, not just within the four founding countries but throughout

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## NEWS: INTERNATIONAL

# Chirac's meeting with Algerian leader is scrapped

By Roula Khalaf

The controversial meeting between French President Jacques Chirac and his Algerian counterpart, Mr Liamine Zeroual, which generated political protests in France and increased Islamic militant attacks by Algerian Islamic militants, was abruptly cancelled yesterday.

Mr Zeroual cancelled the New York meeting after Mr Chirac refused to hold a joint photo-session with the Algerian president.

Algerian Islamic groups, battling the government since 1992, had warned Mr Chirac against holding a meeting they viewed as yet another sign of French support for the army-backed government.

Mr Chirac cited the campaign for the November presidential election, in which Mr Zeroual is a candidate, for refusing to take part in the photo-session. "I did not feel able to meet this demand. I considered this meeting as a conversation with the Algerian head of

state, but since the election campaign has begun in Algeria, I did not want there to be any ambiguity," he said.

The military-backed Algerian president's office put a different explanation on the surprise decision, blaming "malevolent" remarks by French officials.

Mr Zeroual's spokesman, M'houb M'houbi, said the meeting had lost its *raison d'être* because of the "persistence of one-sided attitudes".

The cancellation of the meeting with Mr Chirac may appear as a setback for the Algerian regime. However, the incident should have little effect on Mr Zeroual's chances of success.

While the opposition groups will cheer the French move, the action may encourage many Algerians, who despite being snubbed by their former colonial power, to rally behind Mr Zeroual.

Mr Zeroual is the favourite to win the November 16 poll, which has been boycotted by both the Islamic Salvation

Front (FIS) and leading secular opposition parties.

Islamic militants have vowed to wreak havoc during the election and have warned Algeria's 12m voters to stay at home. The four candidates who have qualified to stand in the election are all allied to the government.

The election is now being watched less for its potential to solve Algeria's three-year struggle with Islamic militants than for its ability to resolve differences within the Algerian regime itself.

Mr Zeroual, a former army general called upon in January 1994 to take over the presidency, is believed to represent the moderate army faction willing to find a compromise with the FIS, the party which was poised to win the 1992 legislative elections cancelled by the government, provoking the violence.

If Mr Zeroual wins the election, he may have a freer hand to negotiate a deal with the Islamic opposition and the sec-

ular opposition. More secure in his presidency, he may then be willing to hold legislative elections in which the real political forces in the country are represented.

Mr Zeroual decided to hold a presidential election when talks with the FIS were scuttled last autumn by hardliners in both camps.

French officials claim they had intended to use the planned meeting with Mr Chirac to urge Mr Zeroual to restart negotiations and, after the election, to organise legislative and local polls.

Mr Jean-François Deniau, former head of the French parliament's foreign affairs committee, said Mr Zeroual had clearly been seeking a stamp of approval from Paris and not a scolding on democracy.

He said the cancellation was also in Mr Chirac's interest, because of the pressure he was under at home after a wave of terrorist bombings not to go ahead with the meeting.



Ivory Coast president Henri Konan Bédié, certain of victory in yesterday's election, tries on a traditional ruler's crown. The poll was boycotted by the main opposition groups, who accuse Mr Bédié of manipulating electoral rules.

## INTERNATIONAL NEWS DIGEST

## Maritime trade reaches record

World maritime trade grew 3 per cent last year to reach a record 4.46bn tons, according to the latest annual review of maritime transport by the United Nations Conference on Trade and Development. The growth of seaborne trade in 1994, the highest since 1980, was driven by a 9 per cent jump in the volume of international trade in goods, Unctad said.

Nevertheless, the increase in maritime freight remained below the 1986-88 average of 3.1 per cent. Based on preliminary data, the report predicts a 3 per cent expansion this year.

The world merchant fleet also continued to expand last year, to 719.8m deadweight tons (dwt), as new deliveries of 29.3m dwt outweighed scrapping of 20.8m dwt.

Greece remains the world's most important shipping nation with 18 per cent of the world's fleet in terms of tonnage, followed by Japan with 13 per cent, the US and Norway with 8 per cent and China with 5 per cent. *Frances Williams, Geneva. Unctad Review of Maritime Transport 1994 (Sales No. E.95.IID.17), available from Palais des Nations, CH-1211 Geneva 10, fax +41 22 917 0079/84, \$30.*

## Close vote expected in Zanzibar

Zanzibar yesterday held its first multi-party elections, to decide whether the Indian Ocean archipelago remains locked in its uneasy union with Tanzania or moves towards greater autonomy. Fears of election-day violence on the often volatile islands initially appeared unfounded, with voters queuing patiently in torrential rain to make their choice between the ruling Chama Cha Mapinduzi party and the opposition's Civic United Forum.

The result of the simultaneous presidential, legislative and municipal polls is expected to be close. The CCM, which is promising to maintain Zanzibar's 31-year union with Tanzania, is well-established in the countryside, while the CUF, which wants greater independence, is popular in urban areas. *Michela Wrong, Zanzibar.*

## Roh aide admits secret funds

An aide to Mr Roh Tae-woo yesterday admitted that the former South Korean president maintained secret bank accounts, prosecutors said. The admission is likely to lead to a full investigation of allegations that Mr Roh, president between 1987 and early 1993, controls illicit political slush funds totalling Won400bn (£332m).

The confession by Mr Lee Hyun-koo, who headed the presidential security guard and national intelligence agency during the Roh administration, related to Won80bn in accounts at Shinhan Bank. An opposition MP last week alleged that this Won80bn was part of Won400bn that Mr Roh had hidden in 40 accounts at various banks. Mr Lee said the money at Shinhan Bank had been left over from a political fund used to pay presidential expenses because the official budget was inadequate. But he left unclear how the fund was created and who financed it. *John Burton, Seoul.*

## Colombo curfew reimposed

Sri Lankan troops pressed towards the Tamil rebel stronghold of Jaffna and police reimposed a night curfew in the capital, Colombo, as they hunted for rebels who blew up key oil depots, security officials said yesterday. A military spokesman said the Tamil Tiger guerrillas had lost 350 fighters so far and were trying to stall the offensive designed to take control of the Jaffna peninsula in the north by staging attacks elsewhere. *Reuter, Colombo.*

# World's leaders put themselves in the picture

Quentin Peel watches politicians jostling for publicity at the UN 50th anniversary celebrations

It must qualify as the world's biggest photo opportunity, not to mention the world's longest sound bite.

More than 150 world leaders gathered in New York yesterday for a three-day party to celebrate the 50th birthday of the United Nations, causing heartache for the city cops. Sunday joggers, and the man appointed to take their family photograph.

It was a field day for the security men, the costguards patrolling the East River on a glorious sunny day, and the protesters who gathered to demonstrate on behalf of most known oppressed minorities, from the Kurds in Turkey and Iraq, to the Tibetans in China, the Mohajirs in Pakistan, and all the Cubans in Cuba.

The heads of state and government started gathering at

7.30 in the morning at the UN headquarters, in a desperate effort by the international bureaucracy to keep them all in line and on time.

Every one of them is supposed to speak at this marathon session for no more than five minutes on the future of the world and the UN as they see it. Few expected them to obey - everyone intends to get maximum exposure for his or her home television programmes - so the opportunities for havoc and mischief-making were immense.

Yet in the end, it was the family photograph which threatened to throw the whole timetable into disarray.

President Boris Yeltsin of Russia had won the traditional tussle among the heavyweights to be the last to arrive, coming in a good five minutes behind

President Bill Clinton and Mrs Hillary Clinton, and keeping them all waiting.

Mr Boutros Boutros Ghali, the UN secretary general, stood patiently on the receiving line, trying to decide who got a handshake, who got a token embrace, and who got a fully-fledged bearhug with kisses. Fidel Castro of Cuba, the great ogre of the US Congress and media, got the full treatment.

Perhaps it was all part of a deal to ensure that the Cuban leader obeyed the rules on his first trip to the US since 1979, when he spoke for 2½ hours in the general assembly. Back in 1960, his speech went to 4½ hours.

Yesterday was different. Gone were the military fatigues, in favour of a very natty double-breasted dark blue suit. And the speech was

under seven minutes. He won a rapturous ovation, although whether from relief or enthusiasm was unclear.

But that all came after the family photograph. One by one, the great and good trooped into the council chamber of the UN Economic and Social Council, to be shepherded into position for a happy snap to beat all happy snaps.

"It'll take just a couple of minutes to get this together," said Mr Paul Skipworth, the irrepressibly good-humoured photographer hired by Kodak for the great occasion. "This is a really historic occasion. The secretary-general wants you all to have a copy."

Quite how they all found a place, no one will ever know, but the permanent members of the Security Council - Bill Clinton, Boris Yeltsin, Jiang

Zemin of China and Jacques Chirac of France - all managed to get into the front row. Only Britain's John Major was missing, because he was to arrive at the end of the day.

They shuffled to the left, and then to the right, and all took off their plastic security passes (even heads of government must obey the security regulations).

By that time they were all looking pretty glum. Mr Yitzhak Rabin of Israel gave a look of absolute exasperation, which summed up his usual attitude to the UN. Mr Jiang managed to laugh at a joke from Mr Clinton, but Mr Yeltsin and Mr Chirac didn't twitch.

That was when Mr Skipworth pulled his coup. "Come on gentlemen," he urged. "Why can't you all smile as prettily as the ladies?"

The men all laughed, but Mrs Benazir Bhutto of Pakistan looked like absolute thunder. It will no doubt show in the historic photograph.

At last it was all over. "I thank you, Kodak thanks you, the secretary-general thanks you, and the world will thank you," Mr Skipworth declared, in that order.

And the session started only half an hour late.

Outside on 47th street, life was altogether more colourful and passionate. There were six Tibetans in a makeshift tent, determined to fast on a hunger-strike to the death for the liberation of their land from China. There were Pakistani protesters describing Mrs Bhutto as "crime minister of Pakistan". And above all there were the émigré Cubans, chanting "even in hell, you're not welcome, Fidel".



*We're toasting  
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of Asia Pacific  
exploration  
and discovery  
with a nice  
cup of tea.*

It started in Indonesia, when we committed our skills to help meet the energy needs of growing Asia Pacific countries. Over the years, we've added billions of dollars to the region's economy. Our assets in the region exceed \$2 billion. Now, we're producing oil and gas in Indonesia, about to commence producing gas in China and exploring for petroleum elsewhere throughout the region.

ARCO was the first American oil company to initiate an exploration agreement with China. That was in 1981. Today, we are developing the

largest Chinese offshore natural gas discovery ever. It's in the South China Sea. Gas deliveries via an 800-kilometer undersea pipeline will begin to Hong Kong early next year.

Our Asia/Pacific commitment is stronger than ever. We are continuing our contribution to the region's economic growth with the resources of ARCO's four major businesses — petroleum exploration and production, refining and marketing, petrochemicals and coal mining. As each develops in the years ahead, we look forward to helping the region fulfill its economic promise.

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# Watchdog denied access to lottery accounts

By John Kampfer,  
Westminster Correspondent

The British government has rejected a request by the House of Commons public accounts committee, parliament's spending watchdog, to have full rights of access to Camelot, the company that administers the national lottery.

The decision of the national heritage department will fuel concern that an increasing number of organisations which are collecting and disbursing public funds are being audited purely in the private sector.

The all-party public accounts committee and the national audit office, its scrutiny arm, are worried that important developments such as the national lottery and the contracting out of work to the private sector by Whitehall departments have lessened their ability to monitor cases of fraud and the effectiveness of government spending.

The government has acknowledged that lottery proceeds do form part of public spending calculations. The comptroller and auditor general, who directs the national office, has access to the records held by the director general of Oflot, the

government agency overseeing the lottery.

In response to representations by the committee to be allowed to examine Camelot's books, the heritage department said it did not agree that present levels of access were insufficient to give parliament an "independent assurance in respect of the collection and accounting for national lottery income".

The limited scope of the NAO will figure prominently in today's Commons debate on the public accounts committee's annual report.

Mr Robert Sheldon, committee chairman, said yesterday the national

audit office should have auditing control over non-departmental public bodies and major organisations involved in public money "as of right".

He added: "The national audit office is a great success story at a time when state and parliamentary institutions are being increasingly called into question."

Mrs Virginia Bottomley, national heritage secretary, said the lottery was "one of the most carefully regulated" in the world.

Speaking on the eve of the first allocations to charities from lottery proceeds, she said it was the job

of Oflot to ensure propriety. She added: "I have every reason for confidence in their delivery of their responsibilities."

Mr David Rigg, Camelot spokesman, said the company had provided an "extraordinary full" account of its finances in its annual report and was "at the leading edge of current best practice".

He said Camelot would look favourably at any approach from the national audit office.

The public accounts committee will conduct hearings in December into the government's award of the lottery contract.

## UK NEWS DIGEST

### Virgin drinks suffer sales figure setback

Virgin Cola and Virgin Vodka have achieved only tiny toe-holds in the UK market as they approach their first birthday, falling far short of the ambitions group chairman Mr Richard Branson set for them on their launch last November. Virgin executives said they would sell 1bn cans of Virgin Cola in the first year, but the actual figure will be closer to half that. According to market researcher Nielsen's data on the supermarket purchases of 7,000 shoppers, Virgin has 5.7 per cent of the cola market in the latest month, down from near 10 per cent shortly after its launch. However, on Nielsen's figures for all grocery sales, Virgin has fallen from about 7 per cent shortly after its launch to 3.1 per cent in August and recovered slightly to 3.4 per cent last month. Nevertheless, Virgin Cola will generate about £1m profit on sales of £35m in its first year, Virgin said.

One of Virgin Vodka's competitors said Virgin was carried by only 40 per cent of liquor stores. Virgin said it was carried by 50 per cent of the stores nationwide and by 60 per cent in London and that its vodka sales were about 22 per cent of Smirnoff's, for a market share of about 5 per cent. *Roderick Oram, Consumer Industries editor*

### Boots tops corporate image poll

Boots The Chemists has the best corporate image of the largest companies supplying consumer goods and services in Britain, according to research by Mintel, the market research organisation, and Coley Porter Bell, the corporate identity consultants. More than 1,000 adults were asked about a selection of 25 of the largest companies and to rate them for value for money, how the companies communicated what they stood for, how in touch they were with customers, how far they could be trusted, and how concerned they were with social and environmental issues.

Boots came top on all criteria, apart from concern for environmental and social issues, where The Body Shop was rated most highly. Boots, The Body Shop, grocery chains Tesco and J. Sainsbury and the BBC shared the top four places in every category. Mintel concluded that value for money ratings were "not related directly to success or even popularity. The highly successful Coca-Cola and McDonald's empires have low value ratings". *Diane Summers*

### Lib Dems to urge duty cut

The Liberal Democrats, Britain's third political party, will today call on Mr Kenneth Clarke, the chancellor, to cut duty on UK-produced spirits by 50p a bottle to half job reductions in the Scotch whisky industry. Mr Malcolm Bruce, the party's Treasury spokesman, will tell a committee of all Scottish MPs that the increase in duty introduced after the 1994 Budget may have cut revenue to the exchequer by encouraging the import of spirits from other European Union states. *John Kampfer*

### Visitor spending up 5% to £1bn

The amount spent by tourists at UK visitor attractions last year exceeded £1bn (£1.55bn) for the first time and represented a 5 per cent increase on the previous year, the English Tourist Board said. The number of visits to both admission-charging and free attractions increased by 2 per cent to 387m last year, with overseas visitors accounting for 19 per cent. The three most popular admission-charging attractions were Alton Towers, the Staffordshire theme park, which attracted 2m visitors; the London waxworks museum Madame Tussauds (2.6m); and the Tower of London (2.4m). *Scheherazade Daneshkhu*

### Strike ballot results due

Commuters will hear this week whether they face fresh travel disruption because of industrial action by transport workers over pay. London Underground members of the RMT transport union are voting on renewing strikes in pursuit of a 6 per cent pay claim. The ballot result will be announced on Tuesday and if workers back action, strikes will restart next month. The RMT has held a series of stoppages in protest at a 3 per cent pay offer. *PA News*

After hours: Britons increasingly want to use shops, banks and leisure services 24 hours a day, according to banking group TSB. More than one in five people don't go to bed until after midnight. TSB Phonebank has found, and they expect businesses to adopt a round the clock culture. Men are more active than women at night, possibly because more men than women work flexible hours and night shifts, the survey found. "It is no longer good enough for Britain to shut up shop at 5pm. Time is at a premium for many people. They want to do things when it's convenient, not when businesses say they can," said Phonebank director Paul Swainbank.

## Pay rises steady despite skills shortage

By Gillian Tett,  
Economics Correspondent

Almost half of all British exporters are experiencing skills shortages, according to a survey published today.

However, the survey from DHL, the express delivery group, notes that with shortages concentrated in a few specific areas of manufacturing, they are having limited pressure on overall wage levels.

Surveys from the Confederation of British Industry, the UK's largest employers' organisation, and Income Data Service also report that pay settlements show little sign of significant acceleration, with the low level of public-sector settlements keeping the average rate of wages growth below the level of inflation.

The CBI reported that manufacturing pay awards averaged 3.5 per cent in the three months to September, fractionally up from the 3.4 per cent recorded in the three months to June, and higher than the 3 per cent seen in the same period last year. Service sector awards averaged 3.4 per cent in the three months to September, down from 3.9 per cent a year before.

The IDS data noted that most public sector settlements were between 2 per cent and 3 per cent, while of the 95 private-sector settlements monitored only half were more than 3.5 per cent.

The DHL survey is likely to fuel fears that inflation could still rise, particularly if growth accelerates in the months ahead. The survey of 904 companies reported that 46 per cent were finding it difficult to recruit candidates with suitable qualifications or skills, with shortages of skilled manual labour the greatest problem.

Almost half of people leaving their jobs do so after more than five years in the same post, according to the Institute for Personnel and Development, writes Andrew Bolger. Its survey casts further doubt on suggestions that the British economy really has seen the end of "jobs for life". The survey also found that last year nearly a quarter of workers quit their jobs within the first 12 months of employment. However Ms Conagh Ryden, the IPD's policy adviser on pay and employment conditions, said: "The high proportion of long-service leavers suggests that the British workforce is no more volatile than has traditionally been the case."

The highest levels of turnover were found among part-timers. Last year's turnover rate was 53 per cent for part-time manual workers and 31 per cent for part-time non-manual workers, compared with 12 per cent for full-time manual and 14 per cent for full-time non-manuals. The lowest level of turnover, at 10 per cent, was within management and administration.

## Stock exchange rejects shake-up

By Norma Cohen,  
Investments Correspondent

The board of the London Stock Exchange has rejected proposals from its executive officers for a radical shake-up of the way UK shares are traded.

The move could have transformed the exchange into a trading system similar to some of its European and US counterparts - an evolution its executive officers believe users want.

The proposals, which were considered at a board meeting on September 28, would have allowed two different trading mechanisms for the UK's 350 largest stocks to have operated simultaneously on a single screen. However, board members are said to have believed that such a system would have been confusing and unworkable.

The first of the two systems is the currently used "quote-driven" method, by which market makers quote prices at which they are prepared to buy and sell large blocks of shares through all market conditions. Market participants can negotiate better prices via the telephone. The second is the so-called "order-driven" mechanism which allows buyers and sellers to strike deals electronically.

The exchange has been arranging presentations of its new Sequence VI electronic trading system, set to become operational next July. This would have the capacity for simultaneous order- and quote-driven trading on a single screen.

The board has decided that there is still scope for some

type of order-driven system to be operated by the exchange, perhaps for less liquid stocks or smaller deals.

However, the exchange's rules would have to be amended to make it clear that those dealing on the exchange would not have to take account of prices in the order-driven system when calculating the "best price" for shares or the "best execution" of a client's order as required under the Financial Services Act.

An exchange official said it was consulting members about what services they wanted its new system to offer.

The exchange's proposals have been driven in part by the emergence of a new competing exchange, Tradepoint, which allows shares to be traded via an order-driven mechanism. This has worried the exchange's executive. On Tradepoint, buyers and sellers post the prices at which they are prepared to buy and sell specific blocks of shares. Those wishing to accept an offer may do so electronically.

But in Tradepoint's first few weeks, trading volumes have been very low, strengthening the arguments of London's largest market makers who argue that customers neither want nor need such a system.

"The exchange is in danger of getting too far out ahead of its members," said an official at one large market making firm. Market makers fear that the emergence of an order-driven system will force them to narrow the spread between the price they offer to buy and sell a specific share, thus cutting profits.

## Japanese investment delayed by lack of top quality suppliers

By Peter Marsh in London

A big Japanese investment project in the West Midlands region of the UK has hit significant delays after Ishida, a Japanese industrial equipment company, experienced difficulties finding British suppliers of a suitable quality.

Ishida, which specialises in high-technology weighing machines for snack food production lines and has annual worldwide sales of about £300m (\$465m), is being offered a £1m Department of Trade and Industry grant to help it set up a plant in Birmingham, the UK's second-largest city. It has evaluated about 40 component suppliers, but says only three met its technical standards.

The company says too few UK companies, particularly in the West Midlands, are interested in building long-term relationships rather than focusing on short-term profits. It complained of "broken promises" from UK companies which deliver to a lower quality than previously agreed.

The problems are likely to delay Ishida's plan to build a

£8m plant to make all the specialist weighing machines it sells to Europe. The plant would create about 100 jobs.

Ishida's experiences highlight the gap in expectations over quality between some parts of UK industry and big Japanese companies in spite of large efficiency improvements in recent years by many UK manufacturers, particularly in the automotive parts sector.

The company's problems may interfere with the planned announcement later this year that Ishida has qualified for a DTI grant under the government's regional assistance programme.

While Birmingham city council has offered to help Ishida identify better-quality suppliers, Mr Mike Sutton, director of the DTI's West Midlands office, said: "The difficulties experienced by Ishida do not give a general view of suppliers in the West Midlands."

Mr Mark Edwards, materials manager at Ishida's UK division, said the company had had "great difficulties" finding companies which could make parts to the required standard and on time.

## Morgan Stanley is sued over Maxwell assets

By Norma Cohen

Mirror Group Pension Scheme has filed a lawsuit in New York seeking \$100m (\$65m) from US-based investment bank Morgan Stanley. The suit is in connection with the bank's role as custodian for some of the scheme's assets which disappeared before the death of Mr Robert Maxwell.

The move, which is thought to have taken Morgan Stanley by surprise, comes nine months after conclusion of a "global settlement" in which investment banks which dealt with Mr Maxwell contributed to cover part of a shortfall in assets of pension funds he had controlled.

Morgan Stanley was understood to have declined to respond to enquiries from the MGN scheme early on in its search for missing assets and had chosen not to participate in the global settlement.

"Morgan Stanley is a global bank and it is well aware of its responsibilities," said a spokesman for the pension scheme. "They could have joined in the global settlement."

Yesterday, Morgan Stanley said: "The claim is without foundation and we will seek to ensure that it will be seen as such if it comes before the courts."

The bank declined any further comment. The suit is against Morgan Stanley Trust, the division which includes the investment bank's custody business. Morgan Stanley is one of the world's leading global custodians and has roughly \$110bn in assets under its custody.

Details of the suit have not been publicly disclosed. Morgan Stanley had been one of the custodians for the pension assets invested by fund managers and controlled by the late Robert Maxwell. After Mr Maxwell's death in November 1991, more than \$440m was found to be missing

from the schemes he controlled.

In an earlier writ by the MGN Pension Trustees against a group of banks and fund managers, filed in June 1992, Morgan Stanley was alleged to have been the recipient, on October 1 1991, of a group of 103 securities from a pension scheme portfolio managed by Lloyds Investment Managers.

Morgan Stanley itself was not a party to that lawsuit. But the writ alleged that on October 23 1991 securities valued at the time at £12,041,083, were delivered by Morgan Stanley to Credit Suisse.

The writ alleged that most of the securities were subsequently sold to recover amounts owed by Robert Maxwell Group.

Credit Suisse was one of the parties to that lawsuit and last week agreed an out-of-court settlement for an undisclosed sum in respect of the pension scheme's claims.

## Insurance boss threatens to set up rival company

By Ralph Atkins,  
Insurance Correspondent

Mr Peter Wood, chief executive of Direct Line, the UK's largest private motor insurer, is threatening to build a rival operation if Direct Line's parent, Royal Bank of Scotland, is taken over.

The warning that he could become a competitor to the company he founded 10 years ago comes amid speculation that Royal Bank might be bought by a larger bank as part of a wave of consolidation in financial services following the recent merger of Lloyds Bank with the TSB banking group.

Direct Line, which insures more than 2m motorists and has expanded into a range of insurance products, mortgages and other financial services, reported a profit of £45m (\$69.75m) in the six months to March 31. It would be one of the most attractive parts of the banking group.

Mr Wood also confirmed he would give Royal Bank the opportunity to take part in a new insurance venture he plans in the US.

Mr Wood pioneered the direct selling in the UK of motor insurance by telephone, underpricing rivals by cutting out brokers and their commission. Last year, in conjunction with Royal Bank, he set up Privilege, a telephone-based insurer which uses Direct Line technology but is pitched at younger drivers, high-value cars and other "non-standard" motorists.

Mr Wood says in the event of a bid for Royal Bank, Privilege could prove a "poison pill". He has a 30 per cent stake in the venture but 51 per cent of the new owners he would have the right to buy out Privilege from Royal Bank, or its new owners, at an independent valuation. Privilege which has 52,000 high-premium customers, could then become a competitor to Direct Line.

Mr Wood said yesterday that he wanted to remain at the helm of Direct Line, possibly becoming its chairman. However he confirmed he is exploring setting up a US operation in conjunction with business partner Jim Stone president of Plymouth Rock, the Massachusetts-based property casualty insurer in which Mr Wood has a shareholding. The new venture would be similar to Direct Line but is unlikely to trade in New England states where Plymouth Rock operates.

No cash has been raised yet but Mr Wood's track record means he is unlikely to have much difficulty finding backers. No firm decisions are expected until next year.

## Unionists grasp mood of pragmatism

Straight talking is normally the way the Ulster Unionists like to conduct their politics. But at the party's annual conference on Saturday, there was a new sophistication in the presentation of policy.

At last year's gathering, there was a striking mismatch between the worries voiced from the floor about the peace process, and the assurances the leadership provided from the platform. From this week-end's proceedings, Mr David Trimble, the new leader, appears to have a better grasp of the party's mood.

Having stood on the sidelines while progress became bogged down over the arms issue, the party now appears keen to adopt a more assertive role. For so long espousing negative politics, the UUP now feels it has a leader to argue its case with nationalists.

"No decision should be taken on all party talks without our agreement and it's foolish to think otherwise," Mr Trimble said.

Like all unionist politicians Mr Trimble is mindful of the experience of other unionist leaders who have attempted to make compromises with nationalists without the support of the grass roots. He is

not about to rush into talks, but he is also keen not to be cast as the intransigent party.

From Saturday's show of hands from the floor, no one in the party is in any doubt that the government is about to shift its position on the need for the IRA to make a start to decommission its arms before Sinn Féin is allowed into talks.

Mr Trimble is not ruling out anything - even the government's proposal for a twin-track approach, with the setting up of a commission to deal with paramilitary weaponry at the same time as the parties would be asked to enter preliminary discussions.

He remains suspicious that the formula is a fudge to need for the IRA to take its arms out of commission. But while progress is stymied over arms, unionists are anxious to ensure that they are not seen as the intransigent parties.

As if to underline this new pragmatism Mr Trimble continues his ritual dance with Dublin today with a meeting in Belfast with Mr Dick Spring, the deputy prime minister.

Mr Trimble delivered a fairly undiplomatic broadside against the Irish politician during his conference address. There is certainly little love lost between the two politicians.

However his overtures to the government Dublin is another sign of the party's new approach. He even conceded yesterday, in an interview with Irish radio, that the government in Dublin may be asked to contribute to his proposed convention.

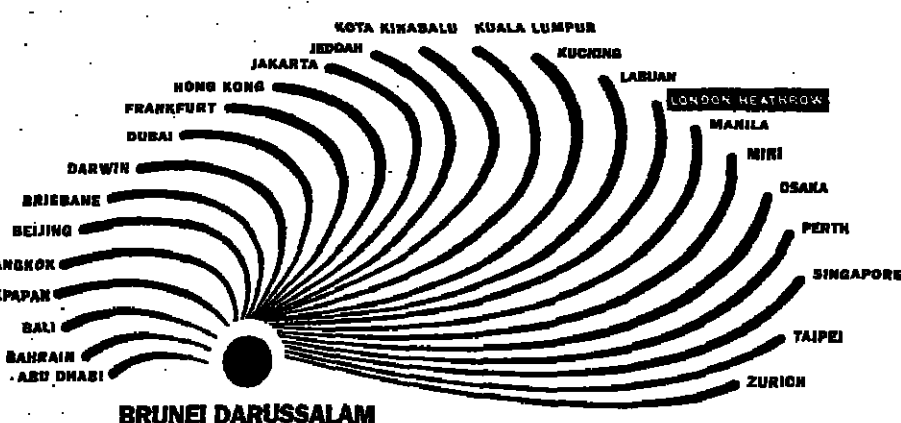
Mr Spring is likely to take Mr Trimble's jibes in his stride. Underlining his own bid for improved relations, Mr Spring is this morning due to pay his respects at a memorial at Newtownards to the Battle of the Somme, a key event in Ulster history.

**John Murray Brown**

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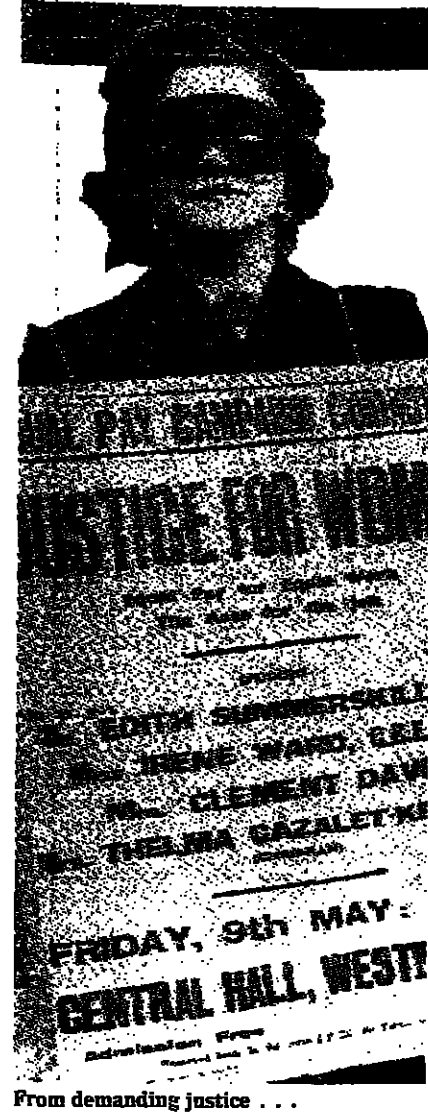




# THIS WEEK

## FT GUIDE TO

### SEX DISCRIMINATION



From demanding justice...

Politicians seemed to be getting themselves in a lather about sex discrimination last week. What is going on? The increasingly controversial European Court of Justice delivered two important sex discrimination judgments. On Tuesday the all-male Luxembourg court banned the use of job quotas for women, casting doubt on the future of affirmative action programmes throughout the European Union. And on Thursday the court ruled that Britain's regulations on free medicines for the elderly discriminated against men.

Doesn't the UK's Sex Discrimination Act already outlaw jobs quotas for women? Yes

So why the fuss?

Britain is not the only member of the EU, you know - nor the only one concerned at the impact of Luxembourg judgments.

Most continental European politicians were angered by the decision. Job quota schemes are one of the main instruments used by governments and employers in many other EU states to promote equal opportunities in the workplace. Italy for example has 50 schemes operating in the corporate sector and the Netherlands has several in government service. German politicians were particularly upset by the decision which concerned a state quota law in Bremen.

The European Commission also condemned the decision, which outlaws its own programme for promoting women among its 19,000 staff. Officials predict a flood of cases from men who have lost

promotion battles to female colleagues because of the scheme. Mr. Padraig Flynn, EU employment commissioner, has suggested European employment law may have to be changed to specifically allow jobs quota schemes.

Haven't women's quotas featured recently in other contexts? Yes. Chancellor Helmut Kohl has been trying to persuade his Christian Democratic Union to back a plan to allocate a third of party offices to women. He failed by five votes at last week's CDU annual congress, although he says he will try again next year.

In the UK there has also been controversy about Labour's women-only shortlists for some parliamentary seats. Labour is facing a court challenge from two rejected parliamentary candidates who claim the policy is illegal under the Sex Discrimination Act.

This row did at least allow the Conservatives to make some political capital out of the European Court's decision. Brian Mawhinney, Conservative party chairman, claimed the decision would force Labour to abandon all-women shortlists. Labour said the judgment did not apply because parliamentary candidates were not employees of the party.

Did Britain's Eurosceptics have a go at the Court over the prescription charges judgment? Surprise, surprise. The UK government's response, however, was more measured. It immediately agreed to grant free prescrip-

tions to more than one million men aged 60-64, a decision which will cost it about £40m a year - although it did limit the retrospective effect of the judgment by invoking a 1993 prescription charges regulation covering applications for refunds.

By limiting repayments to the past three months it has cut the cost of meeting backdated payments from more than £500m to £10m. It was the retrospective effect of the judgment which seemed to cause the most upset. By placing no time limit on the ruling the Court opened up the possibility of claims dating back to 1984 when the equal treatment directive in social security matters came into force.

So, what was the case all about?

UK health regulations tie the entitlement to free prescriptions to the state pension ages. That means men have to go on paying the 55.25p prescription charge for five years longer than women. Cyril Richardson, a retired lecturer, thought that discriminating against men and was unlawful under the 1979 directive. The Court agreed with him - particularly, it said, because there was no objective justification for tying the benefit of free prescriptions for the elderly to the state pension ages.

Couldn't the government have got round the problem by raising the free prescription age for women to 65?

Yes, but it didn't think it wise to risk alienating such a large group of potential Tory voters so close to a general election. Besides Mr Major has pledged not to charge pensioners for prescriptions.

This isn't the first time Britain has found itself in the European Court on the issue of sex bias in the employment and pensions fields. Is it?

No. In the landmark 1990 Barber case, involving occupational pension schemes, the court ruled men and women should receive equal pensions as well as equal pay for equal work.

The judgment was time limited because of fears of the financial impact on employers of making the decision retrospective. Since then there have been several other cases on equal treatment in pensions.

Is this the end of the issue?

No. There are further cases in the pipeline on the qualifying age for pensioners' free bus passes and whether widowed fathers should receive the same benefits as widowed mothers. At present men get nothing but women get a £1000 death grant plus the widowed mother's allowance.

As for job quotas, this may be just the first in a series of cases.

Well, is any of this at least having an impact on sex equality?

Not much, judging by the response of European politicians to the job quotas judgment. Affirmative action programmes are still seen as essential if progress is to be made throughout the EU towards equality of opportunity between men and women in the jobs market.

Robert Rice



... to upholding justice

## Reichardt men graduate

Richard Waters on a landmark week for two US bankers

Last week, two former colleagues and protégés of Carl Reichardt, one of the most renowned American bankers of his generation, made headlines of their own - though in very different circumstances.

One was Paul Hazen, Reichardt's lieutenant and confidant for nearly three decades. When he took over from his mentor as chairman of Wells Fargo at the beginning of this year, it seemed that Hazen would have trouble emerging from his predecessor's shadow.

A charismatic, domineering character, and the first banker of his generation to shake off the traditionally blinkered thinking of the banking industry, the former chairman had turned Wells into one of the US's most profitable banks. How could the quiet, purposeful Hazen follow that?

Last Wednesday, he showed how. With an audacious \$10bn (£6.4bn) swipe, the new Wells Fargo chairman delivered what could well prove a knock-out bid for First Interstate, a rival Californian bank that Reichardt had coveted for years. It was the first hostile assault on a US bank this decade.

One day later, attention switched to Frank Newman, until recently deputy secretary of the US Treasury. Newman was named the next chairman of Bankers Trust, completing an overhaul of the troubled New York bank's senior executive suite and prompting the immediate resignation of the man previously regarded as the heir apparent, Eugene Shanks.

Newman had himself worked with Reichardt and Hazen before moving to BankAmerica - another under Richard Rosenberg - another



Hazen: audacious \$10bn swipe

Wells Fargo alumnus. He was quick last week to pay tribute to the Wells Fargo influence on his own career. "Both Paul and I learnt a lot from Carl Reichardt," he said - in particular the ability to look at banking as a business like any other.

Of the two new bank chairmen - both of whom are 63 - it is Hazen who has lived longest in Reichardt's shadow. The two teamed up as long ago as 1966, working first at Union Bank before climbing together through the ranks of Wells Fargo. As a double-act, they led the bank for a decade until Reichardt's retirement.

Playing second fiddle for so long never seemed to trouble Hazen - in part, no doubt, because their relationship was a more equal one than was frequently perceived. In 1986, for instance, it was Hazen who negotiated and steered through the acquisition of Wells Fargo's West Coast neighbour, Crocker National, from the UK's Midland Bank (Wells has since added Barclays' Californian operations as well).

Also, working alongside Reichardt has clearly done him no

harm as a manager. "Paul's experience with Carl has been very good for him," Newman said. The former colleague depicts Hazen as a methodical and purposeful man. "He's the kind of guy who digs into business issues very thoroughly. He creates action plans and insists that they are seen through," he said.

Others who have worked with Hazen put it less kindly. His powerful analytical approach and remorseless pursuit of business objectives, together with his lack of Reichardt's easy charm and charisma, have also earned Hazen the reputation of a cold and calculating man. That he is not a natural leader is widely acknowledged.

For his part, the Wells Fargo chairman seems unperturbed by these perceptions. Of his image, he commented earlier this year: "Myths have a way of just growing because that is what people look for. I don't get too excited by it."

It is not all myth. Once he has set a target, the Wells Fargo chairman exhibits a remorseless determination to succeed, and is never satisfied with half-measures. It was Hazen, for instance, who led the campaign to make Wells Fargo the lowest-cost bank of its size. And he has recently shown a similar single-mindedness in using the bank's excess capital to buy back its own shares - something no other bank has done on such a scale, and a gesture that has made him a favourite of Wall Street.

If successful, the lunge at First Interstate could give Hazen the ammunition to cut costs and buy back shares into the next century. By combining the two banks and cutting First Interstate's cost levels to those of Wells Fargo, Hazen promised he could squeeze out \$7.5bn of cash with which to buy back shares by the year 2000. In a year of high US bank takeovers, no other banker has dangled such a massive carrot before the stock market's eyes.

Hazen is clearly impatient to get on with the job. During a late-night telephone conversation on Tuesday, William Start, chief executive of First Interstate, asked for six months to allow his Los Angeles-based bank to review the various options for its future.

Hazen's hostile response arrived that night. "I believe they ought to consider it today," he said the following morning. "Every day that goes by is a lost day."



## Coles Myer scours the boardrooms for its new team

Now that institutional investors' demands have largely been met in terms of boardroom departures from Coles Myer, Australia's biggest retailer, the onus is on critics and remaining directors to get a new team in place, writes Nikkai Tait in Sydney.

Nobby Clark, former managing director of National Australia Bank, has been tipped as the critics' choice for the all-important job of non-executive chairman. Clark, 66, has spent the past five years as chairman of Foster's Brewing Group, overseeing its struggle to shed the legacy of 1980s entrepreneur and former Foster's chief, John Elliott.

But his arrival at Coles might make life difficult for Peter Bartels, the retailer's chief executive who survived Thursday's boardroom purge. Bartels was chief executive of Foster's in the early-1990s. But in 1992, he quit, with disillusionment rumoured on both sides.

There is also not-inconsiderable task of finding five strong-minded non-executive directors. The original list was said to include Ric Charlton, the former head of Shell Australia, and Bruce Hogan, former joint managing director of Bankers Trust Australia. However, one candidate has withdrawn his name, believing that, since the boardroom cleanout was less than complete, a new board would be divided.

Finally, somewhat overlooked in the week's tumult is the fact that Coles still lacks a finance director.

## Floyd Hall's Kmart honeymoon goes flat

The honeymoon is over for Floyd Hall, appointed in June as chairman and chief executive of US discount retailer Kmart, writes Maggie Urry in New York. Last week the company was

forced to deny stock market speculation that it might consider filing for Chapter 11 bankruptcy in order to gain protection from its creditors while it performed the amputations needed.

The day Hall's appointment was announced, the shares rose \$1 1/2 to \$14 and in subsequent weeks they ran up to \$16 1/2. But by the end of last week they were at around \$10.

Hall has had a long career in retailing, especially in reviving poor performers. He turned round the loss-making Grand Union supermarket chain while in charge there from 1984 to 1989, when Sir James Goldsmith owned it. The recovery was, however, temporary and following a leveraged buy-out, after Hall had gone, that company is now in Chapter 11.

But while Hall regards Kmart's problems as large but manageable, the stock market is clearly growing impatient. There is unlikely to be better news in the third quarter, which Kmart has already warned will be "well below" the 4 cents a share earned in the same period of 1994.

## Gemina reshuffle brought forward

A year ago, many managers might have snatched at the opportunity to take operational control of Gemina, the Italian investment company. These days, it looks more like the sort of challenge which only the brave would relish, writes Andrew Hill in Milan.

Gemina, which is controlled by Fiat, Mediobanca and other members of the Italian business establishment, is burdened with continuing losses at RCS Editori, its publishing and media subsidiary. Ten current and former executives have meanwhile come under investigation for alleged falsification of accounts, and the company has put off its plan to merge with the Ferruzzi-Montedison industrial group.

The crisis has brought forward the management reshuffle which Fiat, Gemina's largest shareholder, always said would be necessary after the merger. After an emergency board meeting 10 days ago, Francesco Varcasia, a consultant, was unexpectedly appointed to the new job of chief executive and Manfredo Manfredi came from Barilla, the pasta group, to take over as deputy chairman of Gemina. One existing board member, Eugenio Cappa di Canzano, has also joined the three-man executive committee which must now try to unravel the company's problems.

## FILM/VIDEO

In the world of post-feminist show business there is no such thing as a quiet wife. You can be chart-toppingly famous like Kenneth Branagh or Tom Cruise and still Mrs B or Mrs C can zoom past you, seizing the Oscars or still worse the plum parts.

The star of the splendid black comedy *To Die For* is Nicole Kidman (pictured right).

The Cruise missus here soars high in the role of a pin-brained career woman scheming to dispose of her husband.

Prattling and primping in killer frocks, this TV weatherwoman dreams of glory as a documentarist. Then, on getting her chance, she realises that the three dopey teenagers she is interviewing for a "Whither the young?" video special might also help with her planned crime...

Kidman's heroine is obviously related to last week's twittering social climber (ostensibly based on Jane Austen's heroine Emma) in *Chances*.

Both girls are gloriously composed of snobbish, home-made proverbs and runaway wardrobes. And with Gus Van Sant (of *My Own Private Idaho*) directing, a little acid fantasy is added here for even better measure.

Elsewhere on the large screen,



*Haunted* is a promising-sounding thriller about death and clairvoyance: sight unseen, it seems to be a cross between *Don't Look Now* and *The Haunting*.

And in *Under Siege 2*, action star Steven Seagal is back. In this picaresque offering he rescues the passengers of a hi-jacked train and, predictably perhaps, saves the world for freedom, democracy and *Under Siege 3*.

The most sumptuous video is *Legends Of The Fall*, a lavish early-century soap opera which boasts Anthony Hopkins and Brad

Pitt clashing as father and son amid the beautiful scenery of Montana.

Smaller and even better is *Clerks*, a low-budget "sleeper" that woke everyone up on last year's festival circuit.

The plot involves two gabby young store clerks who engage in scabrously funny dialogue reminiscent of *Tarantino* during a long day, while incidents involving sex, death or crime occasionally take place to distract them.

Nigel Andrews

## Okinawa tapes - lost and found

### DATELINE

Tokyo: Japanese consternation at the rumoured existence of CIA tapes is growing, writes William Dawkins

This is a transcript of a tape, found on the back seat of a taxi near the US Embassy in Tokyo. It is a telephone conversation, overheard by persons unknown, here reproduced so that the owners might reclaim it.

"Takeshita at the Ministry of International Trade and Industry speaking. How are things going at the Foreign Ministry these days?"

Sato: "Terrible. For the first time in my career, we have two diplomatic problems concerning the US simultaneously: the outcry over the assault of that schoolgirl near the US base in Okinawa last month; and now, allegations that the CIA was eavesdropping on your people at the Geneva talks about access to the Japanese car market last spring. To what do I owe this pleasure?"

Takeshita: "We aren't quite sure how to respond to this CIA bugging thing. At first the trade boys took it lightly, saying it makes us look even more like the good guys than before. The CIA made them selves look incompetent and the Japanese honest. But then we passed the papers on to the top people in the ministry, and they tell us to go into damage limitation mode. 'Don't stir up anti-American feeling'."



"If Japanese public opinion gets too uneasy about the US, then President Clinton, under pressure to cut his budget deficit, may just take Okinawan protests at face value and reduce what is the main US military base in Asia. Bang goes Asian security and bang goes the lot of us, they said. Miti is not just in the business of saying no to Mickey Kantor, they told me."

Sato: "I'm glad your bosses see it my bosses' way. I hope this is a secure line, unlike the one your boys used in Geneva."

Takeshita: "Of course. Scrambled at both ends. So what's your assessment?"

Sato: "I am even more worried about US relations than your bosses at Miti. The coincidence of the Okinawa incident and now this bugging thing has created something which we bureaucrats cannot control. I have never seen Japanese public opinion move so out of line with the government establishment. This could not come at a worse time, four weeks before prime minister Tomichi Murayama meets president Bill Clinton in Osaka (on November 19). Both leaders are in danger of missing the big picture."

"We have got a lot more worried about Chinese military expansion recently, what with their nuclear tests and claims on the Spratly Islands. Our relations with both Koreans have worsened thanks to a stream of tactless remarks by our politicians seeking to justify Japan's former occupation of the peninsula. We need our strongest ally more than ever. Any threat to a friendly Murayama-Clinton summit could be bad for anyone who lives or does business in east Asia. Until all this blew up, we were confident that Murayama was on our side and was set to use the Osaka summit to confirm the strength of the US-Japan security alliance. Now, who knows?"

Takeshita: "You guys in foreign affairs have always been more

careful of the US relationship than we in international trade. But surely the US relationship is strong enough to survive a spot of bickering? Neither we nor our counterparts in Washington are going to be distracted by trivia."

Sato: "I'm not so confident in the unshakeability of our alliance. Our own political establishment, as you know, has become less predictable in the past two years, since the Liberal Democratic Party lost its first general election in nearly four decades. Murayama, like so many Socialists, is much more sensitive to public opinion than were his LDP predecessors. He plans to ask Clinton to cut US forces in Okinawa. Previous prime ministers would have held the pro-US line. And as for Clinton, there is a limit to what we can do to help him assuage those Congressional budget cutters. The finance ministry has agreed to increase our ¥620bn annual contribution to US troops in Japan. But it is only a ¥3bn per year rise. I doubt that will be enough to satisfy US critics that Japan is paying its way."

Takeshita: "Aren't you being too sensitive? Surely, we have earned lots of US sympathy over the Okinawa incident? They will bend over backwards to satisfy the Okinawans, without actually weakening their military presence."

Sato: "Don't be so naive. It is not just the Okinawa Incident. That will be forgotten in a few weeks. More dangerous is the argument, advanced by the younger generation on both the left and right of Japanese politics and a large number of regional governors, that the US relationship should be put on a more equal footing. We should stop living under Washington's skirts, they say. With the Soviet Union dead for four years, we can look after ourselves, they argue."

Takeshita: "I think Washington would also be happy to see Japan flex its diplomatic muscles a bit, for example by contributing more to United Nations peacekeeping."

Sato: "But an equal security relationship? No thank you. We owe our post-war success precisely to an unequal security deal, in which the US has assured Japan's defence in return for that small payment and guarantee of friendship. That way, we could devote all our resources to rebuilding the economy. Goodness knows, it needs plenty of rebuilding just now. We can't afford to do without the US defence umbrella."

Takeshita: "If you put it like that, fair enough. We at Miti share your strategic concerns. Don't accuse us of being irresponsible, just because the end of the Cold War has given us the confidence to be tougher in fighting off US threats of economic sanctions. But, as I said before, what should my ministry do about it?"

Sato: "Two things. Easy on the get-together trade rhetoric until things have settled down. And remember that wonderful bit of electronic gadgetry your people put together to snoop back at the CIA in Geneva? May I borrow it?"

Takeshita: "Don't believe such fantasies. Miti hasn't done any serious espionage for 50 years. Like your ministry, we fired our spies after the war. Like you, we just have an intelligence department, helped by a few friends at the trading companies. They are a lot more useful than spies."

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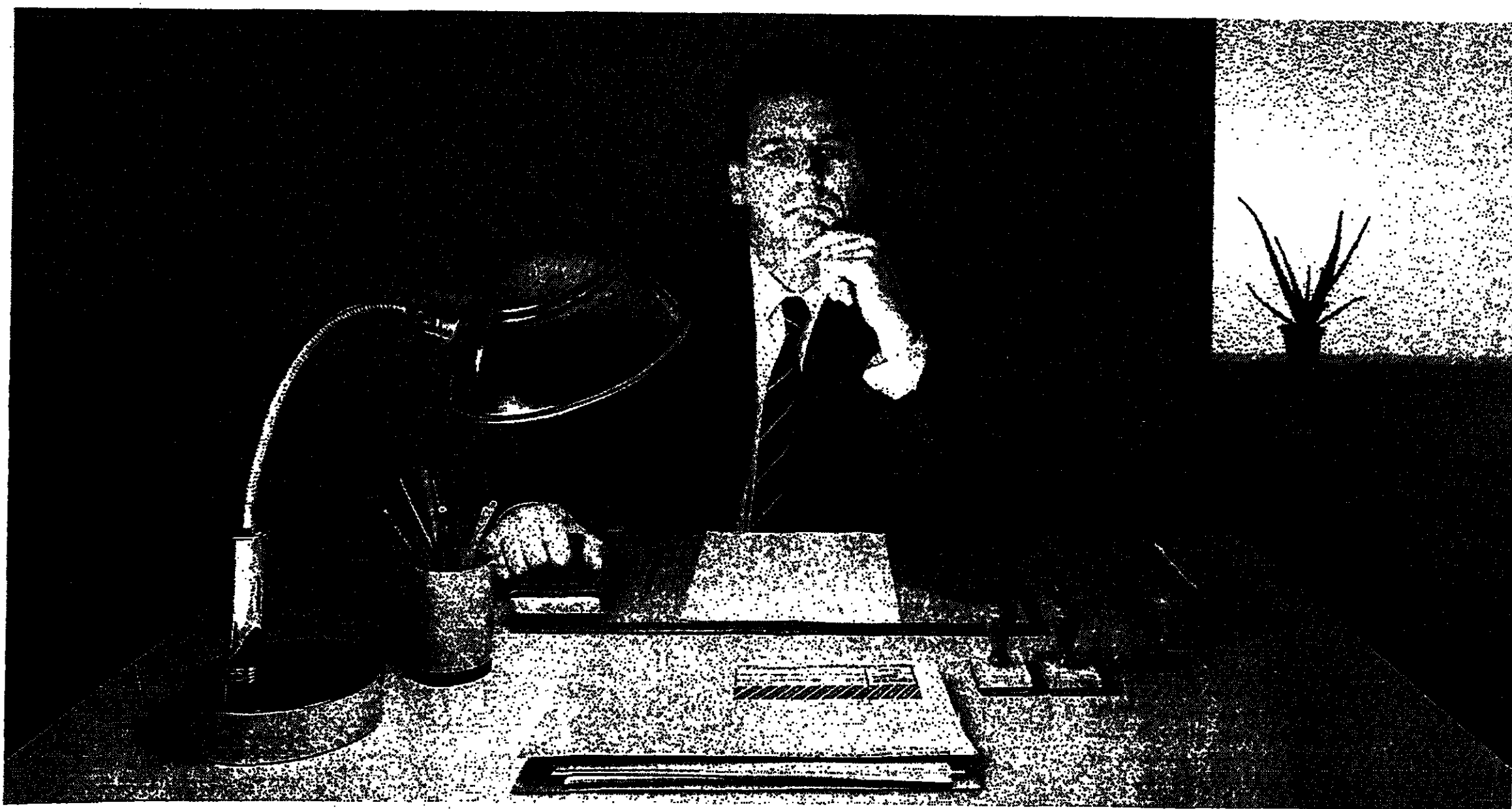
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**■ JUSTICE: by Judy Dempsey**

**Western parties  
have failed to  
eliminate the  
successors of the  
east's communists**

When the Party of Democratic Socialism (PDS), the successor to east Germany's former communist party, got 30 of its candidates elected to the federal parliament in the elections last year, the established parties were surprised and disappointed.

Surprised, because the PDS did so well. Over 19 per cent of the east German electorate voted for the party and the PDS polled 4.4 per cent of the vote across the country.

Disappointed because, in a strange way, west German politicians seemed to believe that if east Germans were becoming more like west Germans in terms of their life style, in how they saved and travelled, then there was no reason why they should not adopt similar similar voting patterns.

In the aftermath of those elections, there was a feeling in Bonn that the east Germans, by voting for the PDS, were being ungrateful for all the financial transfers from west to east Germany which this

Even earlier, when the Social Democrats (SPD) and the Greens had formed a coalition in the eastern state of Saxony-Anhalt in June 1994, there had been a terrific outcry from Bonn. The stability of that coalition depends on support from the PDS. The newspapers wrote about the return of the communists to east Germany. The polemics recalled the days of the Cold War. Mr Rudolf Scharping, leader of the SPD, was more than reluctant to back such a coalition.

The reaction in Bonn showed that the west German political parties did not understand their own parties in east Germany. If anything, five years after German reunification, there is a wide gap between the Christian Democrats (CDU) and Social Democrats (SPD) in east Germany and their sister parties in west Germany.

"The point is that we all lived here in east Germany for the past 40 years," said Mr Hans-Jürgen Beich, head of the CDU in Demmin, a small town in the eastern state of Mecklenburg-Vorpommern. "We understand the problems. The west German parties expect us to think like them. We cannot. And we don't want to. We want our voice to be heard."

Having that voice represented was one of the reasons why the PDS did well in last year's elections. It was also helped by the fact that it had, and continues to have, a strong grassroots organisation inherited from the former Socialist Unity, or communist party.

Over 90 per cent of the PDS's 132,000 membership are former

**Eastern German parties**

Party

Christian Democratic Union  
Social Democratic Party  
Party of Democratic Socialism  
Bündnis 90/Greens  
Free Democratic Party

communist party members. Many belong to the older generation. Many are unemployed. "It is true that for many east Germans, the PDS was a kind of protest party during the last

elections," said Mr Andre Brie, the party's leading strategist and campaign manager.

But studies by the Free University in Berlin show that those who voted for the PDS also included a younger generation who not only sympathise with the party's left-wing policies; they regard the PDS as the party which can represent the interests of east Germans.

Indeed, what the Christian Social Union is for Bavarians, the PDS might well be a party for east Germans.

However, Mr Brie knows that if the east German economy continues to grow, this could erode the support for the PDS. "We know the problems we face. The older generation will not live forever. And as

s' 1994 voting shares	
	% of vote
38.5	
31.5	
19.8	
4.3	
3.5	

more people become prosperous, the PDS may not seem relevant for them. That is why we are moving away from being a protest party to becoming a modern left-wing party

which could replace the Social Democrats in east Germany," he added. The SPD has the majority in only one eastern state: Brandenburg. Elsewhere, it is in coalition with the Christian Democrats (CDU) in the states of Mecklenburg-Vorpommern and Thuringia.

If the PDS does manage to modernise itself - and remain east Germany's third largest

political party - it will confirm a trend which has been evolving in the eastern states since 1990: there is little or no room for liberal Free Democrats (FDP), or in most cases, the Greens. If anything, the contest currently being waged in eastern Germany is which party will hold the left-wing ground, not which party will hold the centre or liberal ground, a position the FDP enjoys - for the moment - in west Germany.

The reason why politics has become almost polarised in east Germany stems not from deep-seated ideological reasons. "Policies matter up to a point. But I think personalities play a major role," said Mr Beich. Mr Manfred Stolpe, the SPD state premier of Brandenburg, is just as popular as Mr Kurt Biedenkopf, the CDU state premier of Saxony.

The other reason is there is not yet a middle class, or new entrepreneurial elite grouped around the Mittelstand, the small and medium-sized enterprises which would automatically lend its support to the FDP. "That is exactly one of our weaknesses in the east," said Mr Wolfgang Oehme, the FDP's spokesman in Berlin. "We don't have a Mittelstand."

officials believe the party's support in the east is so poor because east Germans are not ready to weaken their dependence on the state and are not ready to take initiative. "The east Germans still expect the state to solve their problems and tell them what to do, which is contrary to our philosophy," an EPD spokesman

As for the weak support for the Greens, "the east Germans have far more important things to think about than environmental issues and citizens' rights," said Ms. Anne

Nielsen, the party's spokeswoman. In any case, east Germans believe the environment is no longer an issue since the stench from the old chemical works in Saxony-Anhalt has gone as old industrial complexes have been shut. In last year's federal elections, the FDP and the Greens polled an average of 3.6 per cent and 4.3 per cent respectively in eastern Germany.

"It will take time for more stable politics to evolve in eastern Germany," said Mr Wolfgang Gerhardt, head of the FDP. But the PDS, much to the chagrin of the politicians in Bonn, still believes it will be an important factor in the future.

## More than 1.1m claims for property stolen by Nazis or Communists remain unsettled

Mr Alexander Gerard lives in Hamburg and Mr Freddy Kaufmann lives in London.

They have never met, but they have something in common. Both have tried, so far in vain, to get back their property in eastern Germany.

Mr. Gérard, in his mid-forties, is descended from Huguenots who bought land in Berlin at the end of the last century. Mr. Kaufmann, in his early seventies, is a former Jewish refugee from Marburg.

Gérard has been trying since 1990 to get a back a strip of land in Kleinmachnow, a part of east Berlin through which the Wall once ran. Kaufmann has been trying to reclaim the family factory, house and garden in the Saxon town of Gera.

Both have been unsuccessful due to what lawyers call a combination of circumstances - red tape, inefficiency and above all a reluctance to return assets to their former

This is the route of the former Berlin Wall which snaked along 165 kilometres and through 3,000 former residences, instead of being returned to its former owners. This land was placed under the Bund, or federal authorities, in 1990. The federal government argues that the eastern border areas of the Wall had been placed under the former east German defence ministry. With the advent of unification, this property was automatically placed under the Bund, where it

Since then, however, Berlin politicians and former owners have campaigned to get their land returned. The government has not budged. And investors are not touching these strips of land, some of the most lucrative in the German capital, as former owners, who are demanding restitution or compensation, battle it out in the courts.

The "Mauergrundstück", or wall property dispute, is not the only bone of contention between former property owners and the government to hold up investment. A ruling last February was supposed to end a dispute about the so-called "Liste 3". This list consists of more than 100 properties in east Berlin, including depart-

The Soviet authorities, who had administered east Berlin and east Germany between 1945 and 1949, did not expropriate these properties. There was no official announcement of these expropriations - common even during those chaotic times - and at a time when the Russians were expropriating vast amounts of industry and land.

Under the terms of the reunification treaty, former owners whose land had been expropriated by the Russians are entitled neither to restitution nor compensation. The land reverts to the Bund.

Yet, in a curious twist of history, a Berlin court last February ruled that even though the expropriation of the "Liste 3" properties had not been registered before the Soviet authori-

ties formally ceded the administration of east Berlin and east Germany to the east German communists on October 7, 1949, it had to be assumed that the Soviet administration had meant to register the property as expropriated before that date.

The claimants had argued that because it had been the communist regime which had officially announced that the property had been expropriated - after October 7, 1949 - they were, under the terms of the unification treaty, entitled to either restitution or compensation.

This court ruling was very like what happened to Alexander Gérard's property. The regional Potsdam office for the settlement of property questions recently argued that although Mr Gérard's property may appear to fall under the 1945-1990 category, entitling him to restitution of compensation, it does not do so because, since the Wall ran through it, the east German authorities could have intended to place it under their ministry of defence.

"The German authorities today are actually saying they are rectifying what they think was a mistake on the part of the DDR authorities," said Mr Gérard. "It makes me wonder about the government's commitment to restitution."

[illegible]

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## Altered image

The colour of your business suit or the length of your résumé may be the most you consider when you head off for a business school interview. But you could do a good deal more to improve your chances.

**Marketing Yourself to the Top Business Schools** has been written by husband and wife team Phil and Carol Carpenter, both with MBAs from Harvard. Their advice is to find out as much as you can about the prospective schools - those that most closely suit your needs are the ones where you are most likely to gain a place.

The most valuable information, he argues, comes from people connected to the school - alumni, present students and professors. And, he says, you should not be put off by preconceptions. "We almost didn't even apply to Harvard because of our preconceptions of what the course was. It was only by accident that they visited the school and decided to apply."

*Published by John Wiley & Sons, New York, \$14.95.*

DB

# The Fuqua school in the US has set its sights on Europe, says Della Bradshaw

## Peering across the pond

The Fuqua School of Business at Duke University, in Durham, North Carolina, has got a European identity problem.

In the US Duke is rated as one of the top 10 universities and Fuqua is regarded as one of the most innovative of business schools. But in corporate Europe the name is usually greeted with a "who?" or a "what?"

Neither the Fuqua school nor Duke University have the brand recognition nor the brand relationships," says David Miller, director of European relations. So unlike a Harvard or an MIT, it has to sell itself before it can sell its courses.

The problem is particularly taxing because Fuqua sees its future as an international business school offering global training packages. "Our aim is to be one of the best business schools in the world," says Wesley Magat, senior associate dean for academic programs.

Fuqua is living up to its progressive image with an executive MBA programme which uses the worldwide Internet electronic mail network to deliver material. Fifty per cent of the learning will go on electronically. There will also be five residential modules during the 19-month programme.

The school decided a year ago to base its global executive MBA on the Internet network, at a time when the technology was still in its infancy and its popularity still in question. Magat believes time has proven the decision right. "The course is available to high

potential managers anywhere in the world who have a phone line," he explains.

The course will begin in June 1996, but elements of the technology are already being used on the Durham site as part of existing business programmes. "We're developing a vocabulary, we're literally designing a new way to teach," says Magat.

He describes a scenario where stu-

dents sign on at their computers and then walk into a virtual classroom. From there they could go to a group discussion, or to the library.

Fuqua's proven strengths are in tailoring programmes for individual clients, such as Johnson & Johnson and Eli Lilly. And it is partly the demands of these companies that have forced Fuqua's international hand. "The bottom line is learning. As our clients

become more and more international we have to too," explains Miller.

The school's move into Europe has been proactive too, counters Magat. "Our comparative advantage is that we create knowledge and bring it into the classroom. Our faculty has as much global knowledge as any other American business school, but we want it to have much, much more."

Miller cites the three-week development programme for Russian managers that Fuqua runs in St Petersburg as one source of such knowledge. More than 500 managers have graduated from the course and numerous tutors from North Carolina have flown over to teach it. "It has given us an extraordinary opportunity to educate the faculty."

Miller has set himself a gruelling schedule in his crusade to convert European businesses into Fuqua clients. "My primary objective is to develop relationships and to visit 200 human resources people in European companies over the next year." If 40 new companies buy courses from Fuqua, Miller says he will be "ecstatic".

Fuqua's move into Europe comes at a pivotal time for the school. Its dean, Thomas Keller, is leaving after more than 20 years. His replacement will be appointed by the end of the year. Magat promises that the appointment will set managers thinking about the role for business schools in the 1990s. "One of the criteria for the job has been that he or she must appreciate a commitment to global management."

US business schools: global executive MBA programmes*						
Global content	Campus	Calendar months	Education delivered via distance	Audience	Minimum work experience	
Fuqua	Global general management	Durham, Durham, North Carolina, Hong Kong, Brussels	19	50%	Global	8 years
Wharton	Weekend Wharton standard MBA	Philadelphia	24	0%	Regional	n.a.
MIT	Sloan fellow	China, CIS, Japan, Australia	12	100%	Regional	5 years
Purdue	Standard MBA	Lafayette, Europe trip	22	10%	Mostly US	12 years
Chicago	Standard MBA	Beigolani	18	0%	Western Europe	10 years

\*not company-specific

Source: Fuqua School of Business, Duke University

## NEWS FROM CAMPUS

### Managing directors go back to school

When recession bites it is a brave owner-manager of a small company who decides that he or she needs to re-learn. But a recent survey shows that the move could pay off. The research, from the UK's Cranfield School of Management, examined how small firms performed between 1992 and 1994 and compared that to companies where the managing directors had been trained on its Business Growth Programme. Companies headed by managing directors from the course grew four times as fast as average and increased profit growth. The next part-time course will begin in January.

● Cranfield has developed a one-week course for IT managers to help them improve the level of service they give their IT users and maximise the benefits of the computer systems.

*Cranfield: UK, (0)1284 751122.*

### London courses with eastern promise

Managers with MBAs or extensive business experience are not necessarily qual-

ified to handle business overseas. So London's School of Oriental and African Studies (Soas) has launched two courses to help people do business in south-east Asia and China.

The one-year, or two-year part-time, courses look at the politics, economics, history, geography and cultural background of the two areas as well as commercial law and international management. Languages can also be studied as part of the programme. The course leads to a Master of Arts degree.

*Soas: UK, (0)171 637 2382.*

### Executive education on the box

The Wharton School of the University of Pennsylvania has developed two executive education programmes which managers can receive via satellite on the Executive Education Network, developed by Westcott Communications, of Dallas.

The two courses will be used to train managers in companies such as Disney, Hewlett-Packard and Texas Instruments in financial management and marketing. The courses can also be purchased on video.

*Wharton: US, 215 898 1776.*

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Contact: Arielle Savona, Dow Jones Telerate  
Tel: +44 (0) 171 832 9737 Fax: +44 (0) 171 353 2791

## CONFERENCES & EXHIBITIONS

### A two-day conference In Search of Service Excellence

sponsored jointly by  
*Management Today* and *Arthur Andersen*  
will be held at  
**The Gloucester Hotel, London SW7**  
on 8th & 9th November 1995.

The programme will contain hard information about excellent practices, emphasising the fact that service excellence is not just about customer care, but a whole, integrated process which can affect your company's competitive position and profits. Winners of the Best Practice Awards for Service Excellence will be just some of the speakers at this carefully constructed conference.

Presentations will come from companies such as Rentokil, Unilever, The Co-operative Bank, EuroDollar UK Ltd., Cigna Healthcare, British Airways and Birmingham Midshires Building Society. The cost of this conference is £695 + VAT, although there is a rate for one day only of £395 + VAT.

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## The China External Trade Development Council (CETRA)

is one of the most potent forces in Taiwan's trade promotion efforts. The Council was founded in 1970 by the ROC government, in conjunction with local industrial associations, with the aim of stimulating and coordinating foreign trade. CETRA has since become the linchpin of the island's trade development program and its contributions have been a major factor in the island's economic success over the past 25 years.

Starting out as an office of just 13 staff, CETRA has grown with the Taiwan economy to an organisation employing over 800 people. In addition to operating the Taipei World Trade Center and the Taipei International Convention Center, the council provides a broad range of trade-related services from its headquarters in Taipei and through over 40 representative offices worldwide. These services include: Collating and distributing trade information, market research and surveys, market promotion, organizing exhibitions and commercial and industrial education courses. CETRA also executes various long-term projects initiated by Taiwan's Ministry of Economic Affairs in such areas as manufacturing quality improvement, increased use of automation in industry and enhancing the image of Taiwan-made goods internationally.

The image of Taiwan's industry was traditionally that of low cost, high-volume manufacturing, often for foreign companies on an OEM basis. CETRA's current prime objective is to shepherd Taiwan's industry in its efforts to be recognized as a producer of quality goods utilizing high-technology.

One of the main thrusts in these efforts is the emphasis of design as a key tool in the process of creating innovative, high-quality products. To this end, CETRA set up the Design Promotion Center (DPC/CETRA) in 1979 with the aims of encouraging Taiwan manufacturers to embrace design and upgrading the island's design capabilities.

In its 16 years of existence, DPC/CETRA has gone a long way towards achieving its aims by organising design improvement projects, exhibitions, awards schemes and foreign design exchanges, as well as establishing three Taipei Design Centers in Milan, Dusseldorf and Osaka. The centre has also actively involved itself in the international design community and hosted the prestigious ICSID Design Congress during September of this year.

Another of CETRA's main trade promotion activities is organising trade shows, many of which are held in the Taipei World Trade Center (TWTC). This CETRA-managed seven-storey structure has a first-floor showground with a total area of 26,800 square meters and is able to accommodate more than 1,300 show booths.

Two upcoming shows at the TWTC will highlight Taiwan's diverse manufacturing abilities. The Taipei International Autumn Gift and Stationery Show has grown into one of the industry's premier trade shows and runs from November 1-4. Taiwan is a regional leader in this product area and among the show's features will be high-tech electronic giftware for the Japanese market and environmentally-friendly stationery products for Europe and the US.

Soon after this, the Taipei International Medical Equipment and Pharmaceuticals Show, which runs from November 10-12, is expected to attract over 600 exhibitors from around the world. The entire spectrum of medicine will be represented at the show, from Chinese herbal remedies to cutting edge technologies.

Using its wide range of services and extensive facilities, CETRA has played a major role in transforming Taiwan's cottage industries into the cohesive industrial world power that they now form. Taiwan's manufacturers can move towards the 21st Century with confidence, knowing that CETRA will be right behind them.

# RECOMMENDED OFFER BY HENDERSON CROSTHWAITE CORPORATE FINANCE LIMITED ON BEHALF OF CHILTERN CAPITAL LIMITED FOR ALPHA OMIKRON plc

Henderson Crosthwaite Corporate Finance Limited ("HCCF") announces on behalf of Chiltern Capital Limited ("Chiltern"), a company incorporated in Bermuda, that by means of this advertisement and a formal offer document dated 23 October 1995 (the "Offer Document"), HCCF has made an offer (the "Offer") on behalf of Chiltern to acquire the existing issued and fully paid shares of 10p each in Alpha OmiKron plc ("Alpha OmiKron") and any further shares which are unconditionally allotted or issued before the time at which the Offer closes or before such earlier time as Chiltern may decide (not being earlier than the date on which the Offer becomes unconditional as to acceptance) ("Alpha OmiKron Shares").

## The Offer

Alpha OmiKron shareholders who accept the Offer will receive one new ordinary share of 10p in Chiltern ("Chiltern Shares") for one Alpha OmiKron Share and in proportion for any other number of Alpha OmiKron Shares held. On the basis set out in the Offer Document, the Offer values each Alpha OmiKron Share at approximately 20.2p and the whole of the share capital of Alpha OmiKron in issue immediately prior to the Offer at approximately £7,215,018.

The full terms and conditions of the Offer (including details of how the Offer may be accepted) are set out in the Offer Document and the accompanying Form of Acceptance. Alpha OmiKron shareholders who accept the Offer may rely only on the Offer Document and the Form of Acceptance for all the terms and conditions of the Offer. This advertisement does not constitute and is not to be construed as an offer.

The Offer is conditional, inter alia, upon the London Stock Exchange admitting to trading on the Alternative Investment Market ("AIM") Chiltern Shares. The directors and proposed new directors of Chiltern intend, upon the Offer becoming unconditional as to acceptance, to make application to the London Stock Exchange for the Chiltern Shares to be admitted to trading on AIM on the first business day following the date on which the Offer becomes or is declared unconditional in all respects (save only for such admission becoming effective).

The Offer is, by means of this advertisement, extended to all persons to whom the Offer Document may not be despatched, who hold, or who are entitled to have allotted or issued to them, Alpha OmiKron Shares. Such persons are informed that copies of the Offer Document, Form of Acceptance and AIM Admission Document issued by Chiltern in connection with the Offer are available to collection during normal business hours from Henderson Crosthwaite Corporate Finance Limited, 32 St Mary at Hill, London EC3P 3AJ.

The Offer, which has been made by means of the Offer Document and this advertisement, will initially be open for acceptance until 3.00 pm on 13 November 1995.

The Panel on Takeovers and Mergers has indicated to Chiltern that, for the purpose of the City Code on Takeovers and Mergers, the Offer is not to be treated as an offer of securities to be made in the United Kingdom, the Republic of Ireland, the Channel Islands or the Isle of Man; and that therefore the Code does not apply to the Offer.

This advertisement is not being published or otherwise distributed or sent to, into or from the United States of America, Canada or Australia and persons reading this advertisement (including customers, trustees and nominees) must not distribute or send this advertisement, the Offer Document, the Form of Acceptance or any related documents to, into or from the United States of America, Canada or Australia, or use the United States, Canadian or Australian mails or any such means or instrumentality for any purpose, directly or indirectly, related to the Offer. Doing so may constitute a violation of applicable securities laws of the United States.

This advertisement is issued on behalf of Chiltern and has been approved by HCCF, which is regulated by the Securities and Futures Authority Limited, solely for the purposes of section 7 of the Financial Services Act 1986.

HCCF is acting for Chiltern and no one else in connection with the Offer and will not be responsible to anyone other than Chiltern for providing the protections afforded to customers of HCCF or for giving advice in relation to the Offer.

The directors of Chiltern accept responsibility for the information contained in this advertisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts and does not contain anything likely to affect the import of such information.

23 October 1995

## COMPANY NOTICES

### LUKE FSC, Ltd.

A Bermuda corporation is available to enter into leasing transactions, as lessor, with respect to U.S. manufactured property to be used outside the U.S. If interested, please contact the company at: Luke FSC, Ltd., c/o Codan Services Limited, Church Street, Hamilton Bermuda.

### Fountains FSC, Ltd.

A Bermuda corporation is available to enter into leasing transactions, as lessor, with respect to U.S. manufactured property to be used outside the U.S. If interested, please contact the company at: Fountains FSC, Ltd., c/o Codan Services Limited, Church Street, Hamilton Bermuda.

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### FIRST CHICAGO Leasing FSC, Inc.

A U.S. Virgin Islands corporation is available to arrange leases of U.S. manufactured property to be used predominantly outside the U.S. If interested, please contact the company at: First Chicago Leasing FSC, Inc., Citibank Building Suite 208, St. Thomas, U.S.V.I. 00801.

### DEARBORN STREET FSC, Inc.

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### TODAY

Alfa 4.2p  
Asda Finance 104% Cnv Cap Bds 2005 £268.75  
BBL Int NV Gtd FRN's '99 \$165.41  
Black (Peter) 3.79p  
Canon FRN's '96 Y2638  
Commonwealth Bk Australia Gtd Und Cap Nts \$330.82  
Cyanamid (UK) 9.61% Gtd Bds 2007 £240.25  
Epin 2.9p  
Erisson (Tele.) 7% Bds 1996 \$393.75  
Glaxo Wellcome 20p  
ITOCHU FRN's '97 Y26384  
Latin Am Extra Yield \$0.18  
Lazard Select Inv Ptg Red Pfr Global Active 2p  
Do Ptg Red Pfr UK Active 18p  
Do Ptg Red Pfr UK Index 14p  
Do Ptg Red Pfr UK Liquid Assets 9.02969p  
Do Ptg Red Pfr US Index 8p  
Moorepay 1.2p  
Municipality FRN 94% Gtd Nts '96 ECU91.25  
Nichols (JN Vinto) 2.33p  
Oester Kontrol AG 7% Dual Curr Y/S Gtd Nts '96 Y71250  
Platinum Int Fin A Secd FRN's '03 Y1004791  
Santavia Australia FRN Gtd Fty/Fxd Rtn Nts \$3500.97  
Sedgwick 3p  
Selective Assets Tst 1.6p  
Sudwestdeutsche Land Cap Mkts 6% Gtd Bds '03 DM62.5  
Texas Insts 0.17p  
United Carriers 1.0p  
Universal Ceramics Materials 1.5p

Yokohama Fin Cayman Gtd Sub Fty/Fxd Rtn Nts '03 \$3062.5  
YTB FRN Gtd Sub FRN's \$1648.59

### TOMORROW

Black (A&C) 4.25p  
Brasway 0.35p  
Crest (Neil) 4p  
Finelist 3.7p  
Govett High Inc Tst 1.12p  
MTL Insts 2p  
NatWest Bank Und VRN's \$1721.81  
Okobank Os Kes Oy Sub VRN's 2000 \$165.79  
Platinum Int Fin A Secd FRN's '03 Y1004383  
Do Tranche B Secd FRN's '03 Y1085562  
RPS 1.55p  
Yokohama Fin Cayman Gtd Sub Fty/Fxd Rtn Nts \$3575

### WEDNESDAY OCTOBER 25

All Nippon Air 94% Nts 2000 \$875  
Banks Tst New York \$1 Birkby 5.4p  
Britannia Bldg Soc Sub FRN's '05 £1804.11  
CPC Int \$0.38  
Christiania Bank Sub FRN's '97 \$333.59  
Conv 94% 2004 \$4.75  
De Beers Cons / De Beers Cent Linked Uts \$0.11  
Gaskell 1.5p  
General Electric \$0.41  
Kingspan R1.4p  
Leumi Int Inv NV Gtd FRN's '98 \$166.8  
City of Manchester 11 1/2% Red

'07 £5.75  
Molex \$0.015  
Do Class A \$0.015  
Murray Int Tst 4.74p  
NatWest Bank Gtd Cap FRN's '05 \$24.06  
Ork Ireland Fin 7% Gtd Nts '95 Y700000  
PTS 1.2p  
Severfield-Reeve 1p  
Spirint FRN's '98 \$15.17  
Woolwich Bldg Soc FRN's '96 Ecu160.36  
World of Leather 0.75p

### THURSDAY OCTOBER 26

Australia 11 1/2% Ln '15 £284.375  
Bristol & West Bldg Soc FRN's '96 £179.59  
Christies Int 0.65p  
Church & Co 3p  
Co-operative Bank Sub FRN's 2000 \$88.22  
Cussins Property 1.45p  
Dowling & Mills 1.75p  
Exco 3p  
Independent News IR3.5p  
Italian Int Bank Global DM FRN's DM59.9  
Do Global US FRN's \$15.33  
Do Global Yen FRN's Y2400  
Jacobs 0.125p  
Korea Int Merchant Bank FRN's '99 \$343.76  
Lambert Howarth 2.25p  
Lloyds Bank Sers A Sub VRN's '98 £178.33  
Lloyds Smaller Co's Inv Tst 1.8p  
Do Pkg Uts 1.8p  
Midland Independent News 1.2p  
Nurdin & Peacock 2.27p

Schroders 4.5p  
Do NV 4.5p  
Waterford Foods A IR1.3p

### FRIDAY OCTOBER 27

American Tst 1.9p  
Applied Distribution 1.5p  
Aspen Comm 2.5p  
BZW Cnv Inv Tst 3.3p  
Bank Nova Scotia C\$0.31  
Barr & Wallace Arnold Tst 3p  
Bredon 1.75p  
Brightstone Props 1.25p  
Brit Mohair 1.4p  
CALA 2.1p  
Cap Imperial Bank Commerce C\$0.37  
Candover Invs 4.5p  
Catties 2.45p  
Corporate Services 1p  
Davis Service 3.08p  
Devro Int 2.8p  
Exchequer 1.56p 1997 £7.5  
Financial Recs for Secd Trans 1 Mzn Asset Bkd FRN's '09 £2300  
Do Snnr Asset Bkd FRN's '09 £275.83  
Do No 2 Mzn Asset Bkd FRN's 2005 £2300  
Do Snnr Asset Bkd FRN's '05 £1730.84  
Do No 3 Mzn Asset Bkd FRN's '16 £2110.96  
Do Snnr Asset Bkd FRN's '16 £1827.40  
Fleming O'seas Inv Tst 3.1p  
Flying Flowers 1.35p  
Games Workshop 3.7p  
Hall Eng 3.77p  
Hammerson 7% Bds '03 £787.5  
Hagmann Int FRN's '95 \$331.77

Holt (Joseph) 13p  
HSBC 9.25p  
Irish Continental IR1.5p  
Irish Permanent IR3.5p  
Jos Higgs 4.675p  
Life Sciences Int 1.6p  
Lister 0.1p  
London Forfeiting 1.3p  
Matthews (Bernard) 3.3p  
Metatrax 1p  
Molins 5.9p  
Morgan Stanley Equity Pkt IR £8.61p  
Navan Res 5% Cnv Red Ln Nts '95 IR22.5  
Nestor BNA 1.15p  
Newman Tonks 2.9p  
Norban 5p  
Pegasus 2p  
Primadona 3p  
Ransomes 84% Cnv Pfr 4.125p  
Rotork 2.1p  
Second Alliance Tst 32p  
Do 4 1/2% (£1.15% net) Pfr £1.575  
Tops Estates 1.68p  
Turkey 9% Bds '03 £90  
Treas 4% 1/2% L '98 £2.5052  
Welsh Int Inv Tst 4p  
Wyllave Garden Centres 3.22p  
Wyko 0.75p

### SATURDAY OCTOBER 28

Cheltenham & Gloucester 11 1/2% Pcp Sub Bds £2937.5  
Cornwall Parker 0.3p  
Do A NV 0.3p

### SUNDAY OCTOBER 29

Nottingham 1.84p

## UK COMPANIES

### TODAY COMPANY MEETINGS:

07.45am: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 12.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 1.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 2.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 3.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 4.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 5.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 6.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 7.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 8.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 9.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 10.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 11.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 12.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 1.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 2.30: Anglo Irish, Bank of Ireland, 125 London Wall, E.C. 2, 3.30: Anglo 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# Travellers on the infobahn start to speak in tongues

Victoria Griffith on how languages other than English are now on the menu

In its early years, the Internet effectively posted a "keep out" sign to all non-English speakers. Cybertravellers were forced to use English language software to access the information superhighway, and then viewed content that was rarely written in anything but English.

But the door is now ajar for non-English users on the infobahn. Internet growth outside the US now outpaces expansion within it, and the World Wide Web is proliferating on the Internet. IBM now markets products on the Internet in Spanish, German, Portuguese, Japanese and Italian. Other vendors are likely to follow suit.

Software is becoming more multilingual as well. Microsoft's much-touted Windows 95 product is available in 12 languages other than English, and the company says it soon hopes to offer the program in 30 tongues. SpyGlass, a company providing browsing services for the Net, has recently launched a product to allow the user to state a language preference. Whenever the favoured language is available in cyberspace, it will come up on the screen.

"In the beginning, it was mostly academics and the US military using the Internet, so the users all spoke fluent English," says Albert Vezza, assistant director at the Massachusetts Institute of Technology's

Media Laboratory. "With so much international growth, that's changing rapidly. We're starting to see a demand for other languages."

Non-English users are beginning to seek each other out, and are setting up common language "communities" in the same way that the Internet provides outlets for users interested in microbreweries or in stamp collecting.

"We're starting to see French speakers all over the globe get in touch with each other on the Internet," says Anthony Rutkowski, executive director of the Internet Society in the US. "For an expatriate living in New York, that can be a great way to socialise with people who speak your native language."

The use of languages other than English on the Internet will gain momentum, many predict, with the increasing commercialisation of cyberspace. Growing numbers of vendors hawk their wares on the infobahn. Advertisers have long recognised that the most effective sales pitches are in the customer's language. "You wouldn't think of running a McDonald's television commercial in Italy in English, and it will be the same over the Internet," says Norman Lehoullier, co-director of the Grey Interactive arm of Grey Advertising.

IBM is marketing its goods over the Internet to 15 countries, with

sites not only written in the local language but also tailored to products available in the target markets. The MIT Media Laboratory is working on a product for the airline industry that would allow customers to order tickets in their language of choice.

"We'll probably start seeing a lot of retail stores on the Internet where you can hit 'one' for the Spanish description of products," says MCI's senior vice president of data services, Lanz Boxer. "It's not that difficult to set up and there's a huge Spanish-speaking community, even in the US."

Multi-lingual advances in software will make a difference. Non-English speakers are more likely to access the Internet when the interface - including menus and help sessions - is in their native tongue.

"For the Internet revolution to go further, we need to offer software in other languages," says Andreas Berglund, international marketing manager for Microsoft, the US software group.

Microsoft's development of new character codes will help non-Western languages gain a foothold in cyberspace as well.

ASCII, the 1970s code that dominated the computer world for so long, did not even allow for European accents on different letters. Unicode, the latest in a series of

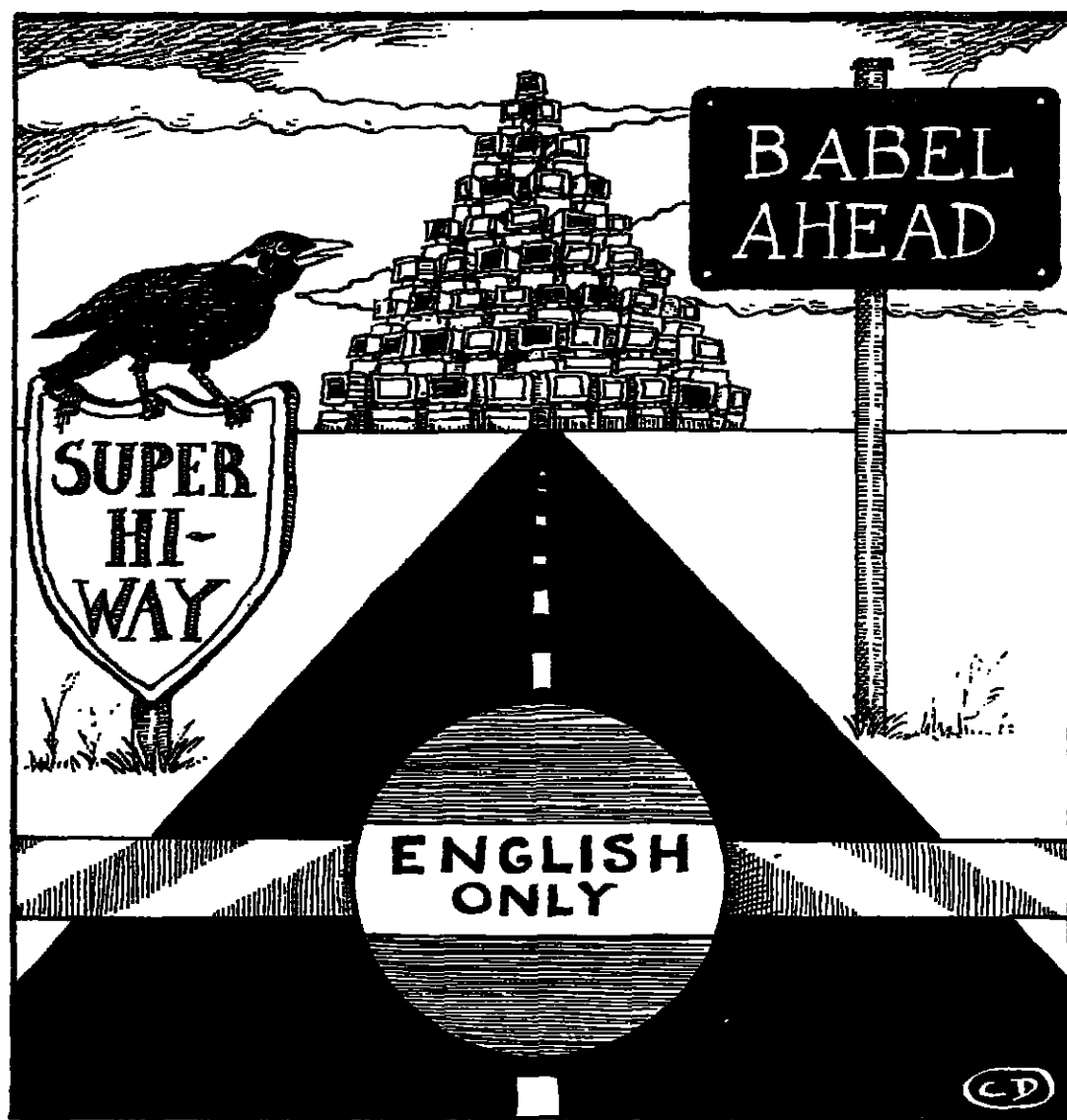
Microsoft character codes, enables the computer to display the characters of any world language, including Russian, Korean and Japanese.

Some mourn the decline of English as the unofficial language of cyberspace. "With other languages coming on, the Net will lose its coherence," says Vezza of MIT. "You won't be able to access all the information or communicate with all the other users any more."

The ultimate solution would be for simultaneous computer translations, allowing Swedish, Japanese and English users, for instance, to hold a real-time conversation. Yet that day may still be some way off.

"That might be the ideal, but the technology to do that just isn't even on the radar screen yet," said Boxer of MCI. Those seeking a common denominator will probably continue to turn to English.

"English has built up a critical mass, and it's unlikely that it will lose its position as the universal language of cyberspace any time soon," said Richard Villers, a multimedia analyst with International Data Corporation. "Computer and multimedia advances are still coming from here, and that causes a bias in the market to English. But it's not going to be 100 per cent in English, like it used to be. We're starting to see other languages gaining a foothold too."



## Spry eye leads counter attack



Tim Jackson

Until last year, there were two sorts of cyberspace. There was the Internet, built by the US government but owned by nobody, and then there were the private services - CompuServe, America Online and Prodigy. These were better ordered, more secure and easier to use. But they charged, while the Internet was free.

During 1994, things began to change. The World Wide Web with its point-and-click navigation and ability to handle pictures and sounds made the Internet easy for anyone to use. Access providers sprang up in America, Asia and Europe. People could dial from home. And the Web, spreading faster every month than the online ser-

vices were growing every year, established itself as the main channel for electronic commerce and advertising.

The online services had become smarter. They offered services from stock quotes to airline reservations and from news wires to bestseller lists as well as e-mail. Yet their clients still felt in the countryside, yearning for the city whose lights they could see twinkling.

To find out how an online service responds to such a sudden competitive threat, I went to see Dave Pool, 32, the former chief executive officer of a software company called Spry. Spry made its name with a product called Internet in a Box, one of the first packages to give people simple

Internet access. But Pool is no longer Spry's chief. In March, he sold the company to CompuServe for \$102m (\$55.8m) in cash and stock. He became an executive vice-president of the parent company, with the job of dragging CompuServe into the competitive world of the Internet.

His establishment of a new Internet division in Seattle, Washington has galvanised old-timers at the company's Ohio headquarters. The company now offers its 3.6m worldwide customers full Internet access, starting from a modest \$5 a month for two hours' use. So far, 750,000 customers have signed up for the service, which allows CompuServe to claim to be the world's biggest

Internet provider. There is still some way to go. While many Internet providers who lease telecoms capacity from phone companies can offer access at 28,800 bits per second, many CompuServe customers have to content themselves with receiving data at one-third of the speed. While CompuServe rushes to catch up, Pool makes a virtue of necessity, claiming that people prefer reliability to speed.

In the US, CompuServe is resisting a challenge from America Online. Globally, however, it faces two bigger problems. One is the backlash against electronic pornography in the US. CompuServe offers a bewildered Internet product for children - a "walled garden", but it

is not yet asking customers to declare that they are over 18 before reading the more lurid material.

The other worry is Microsoft. The Microsoft Network, accessed through the new Win95 operating system and touted as a global threat to CompuServe, has proven a damp squib. The service is patchy and the content thin. Pool jokes that it costs \$500 to sign up to: \$100 for Win95 and \$400 piece for the extra memory and new hard disk drive that PC owners often need to upgrade.

But there are already 7m copies of Win95 out there. If only one in ten Win95 users sign up for MSN during the next two years, CompuServe will be overtaken. CompuServe spends heavily on

marketing. But if MSN has privileged access to Win95 users, CompuServe will be at a disadvantage. Hence its complaints to the US Department of Justice and the European Commission and its attempts to prevent Microsoft from offering access only to its own online service from Windows 95.

Pool and colleagues are taking no chances. CompuServe has introduced interesting new products and services. One allows the user to ask a plain-English question, leaving the software to trawl the Net for answers.

The package's name, the Internet Wizard, sounds familiar. "Wizards" - pieces of software that simplify a program - are already available in such popular applications as Word and Excel. Someone's stealing ideas from Microsoft? Now that's news. Tim Jackson can be reached at [Tim.Jackson@gobox.com](mailto:Tim.Jackson@gobox.com)

## Big business slow to grasp potential of Net

By Michael Cusack

Any switched-on business claims to know about the Internet but few seem to realise that their products and services are, increasingly, the subject of global gossip among subscribers.

A trawl of Usenet - one of the earliest Internet services offering an international "noticeboard" for special interest groups - shows that while consumers are bursting with questions on everything from water softeners to washing machines, the companies making and selling them are failing to come up with the answers.

James Terin, interactive communications director at advertising agency Chiswick Le Fevre, says the evidence suggests that, despite all the froth, most companies have not yet started to get to grips with the Internet. His company has just monitored some of the 13,000 established newsgroups on Usenet to see whether companies are responding to inquiries about their products and, in the process, possibly picking up potential business.

The results show that while other online consumers are quick to discuss products and product performance, manufacturers and service providers -

many of them having invested heavily in establishing a presence on the World Wide Web - are invariably silent.

According to Terin, among the companies which failed to respond to inquiries about their products were Wickes, the DIY retailer and Zanussi, the household appliance maker.

Volkswagen, to which a whole discussion group is dedicated on Usenet, also failed to participate in an enthusiastic exchange of views on the price, reliability and quality of their vehicles. Neither did any competitors intervene to put their own point of view.

Some companies do get a pat on the back for spotting the commercial opportunities arising from becoming involved. Microsoft and Silicon Graphics, both of the US, have news groups devoted to discussions about their products and services and they regularly participate. BT, too, wins plaudits for joining in on the UK telecom news group, though more often than not through its engineers than through the company itself.

But the survey indicates that large companies have been slow to realise the potential competitive advantage to be gained by getting involved on

Usenet.

Chiswick Le Fevre warns companies against ignoring the traditionally non-commercial nature of the net in favour of blatant product "plugs", which it says will be more likely to alienate than impress.

But it says corporate involvement can establish a company as a source of expert knowledge and also generate greater public awareness of both it and its products. The advertising agency admits some companies may see involvement in Usenet as a waste of resources but believes that, properly organised, there are benefits if suggestions individuals could be allocated to do a daily check - news filtering services makes trawling through every likely-looking news group unnecessary - and then follow up any issues relevant to them.

It warns, however, that selected staff should be well-versed in "netiquette", which sets down the guidelines for acceptable behaviour on the Internet. "A piecemeal of patchy involvement might well be worse for a company than no participation at all. Raising the expectations of the Usenet community only to disappoint them later does not create a good impression for the company."

## Ciba report goes CD-Rom

By Paul Taylor

Company annual reports tend to be arcane documents of little interest to those outside the investment and accountancy communities. However, a growing number of multinational companies are trying to change this using multimedia technology and CD-Roms as the delivery mechanism.

Predictably, computer and technology groups such as International Business Machines of the US and Siemens of Germany have led the way. But as the installed base of CD-Rom drives grows, other companies are turning to multimedia specialists to exploit the opportunities of the medium for both internal and external communications.

Among them is Ciba, the Swiss chemical and biological multinational which employs 90,000 people in 40 countries around the world. Because of the size and diversity of the

group, educating internal and external audiences about the company presents a big challenge.

Walter von Warburg, Ciba's head of communications, identified multimedia as the medium which best suited the group's innovative and flexible style and met its objective of providing an insight into the group's business operations.

Ciba turned to Fox presentations, a small multimedia specialist based in west London, to develop a CD-Rom program for it.

A team of eight people at Fox, including several graduates of the Royal College of Art in multimedia, spent three months creating the CD-Rom.

The result is an easy to use and informative CD-Rom which includes financial, strategic and operational information as well as covering issues such as safety and the environment and research and development.

"One advantage of the multimedia program is that a number of audiences could be satisfied with one single application," says Karen Simmonds of Fox.

The initial target audience for the CD-Rom was internal. The program, which is available in English and German versions and is being translated into Japanese, has been distributed to communications staff, senior managers and human resources staff. Externally it is available to journalists, financial analysts and shareholders.

Other potential audiences include education establishments and libraries.



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### Cyber sightings

● With the UK Budget looming, British think-tank the Institute for Fiscal Studies ([www.ifs.org.uk](http://www.ifs.org.uk)) offers you the chance to be your own chancellor, using a model to demonstrate how a range of tax decisions alters various circumstances. On Budget evening (Nov 28), users will be able to enter their own details for a run-down on how they have been affected. A good site, with a wide range of relevant links.

● Travel group Thomas Cook's new site ([www.thomascook.com](http://www.thomascook.com)) is full of serious quotes and pretty, complex images, but is a bit frustrating if you just want information. As a test, I tried to get a list of Cook's offices in New York City. It took me ten minutes of sitting through several meaningless graphics, but I got there in the end and the details were comprehensive.

● The Web 100 (<http://fax.nsn.ca/jat/info>) is a listing of the largest Fortune 500 companies on the Web. Simply laid out, with good, solid, interesting content. Currently features a special section on 'Japan Inc. in Cyberspace'.

● Two worthwhile publications went online this week: Le Monde Diplomatique ([www.imo.fr/CF/MondeDiplo](http://www.imo.fr/CF/MondeDiplo)) is a French-language source of news and commentary, also available in Italian and German; while the excellent Atlantic Monthly this month marks its 133rd anniversary by going on the Web at [www.theatlantic.com](http://www.theatlantic.com)

● Guidelines for financing exports between the US and a range of countries are available from the US Export-Import Bank ([www.tradecompass.com/us/exim](http://www.tradecompass.com/us/exim)), together with board minutes and press releases. Ex-Im Bank information is also accessible through the slightly more user-friendly site of the US Department of Commerce's National Trade DataBank ([www.stat-usa.gov](http://www.stat-usa.gov)).

● Michael Campbell's Money Talks (<http://Mastermail.com/money/talks>) is an unpredictable guide to business and financial comment. While the artsy 'deep space' background can be a mite irritating, it's worth a browse for a mix of serious and off-beat items, like The Ultimate Lists or the Goofy Awards.

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مكتبة من الأصول



# Take your seat for the final of the great stadium battle

Sports stadia seem to be a hot topic just now. From being ugly brick wrapped around the fields of dreams, they have suddenly become urban virility symbols. Every city wants a new stadium, the bigger the better.

The fury in Cardiff last week when the Millennium Commission refused the Welsh £50m (£77.5m) to replace Cardiff Arms Park was extraordinary. It will seem small beer next Tuesday when four British cities discover that they have not been awarded the new national stadium. The fifth, and winning, candidate will be given up to £150m of public money (most of it from the National Lottery) to construct a state-of-the-art facility designed to house future events from the FA Cup Final to hoped-for Olympic Games and athletics world championships.



KEITH WHEATLEY

hosting the 2002 Commonwealth Games.

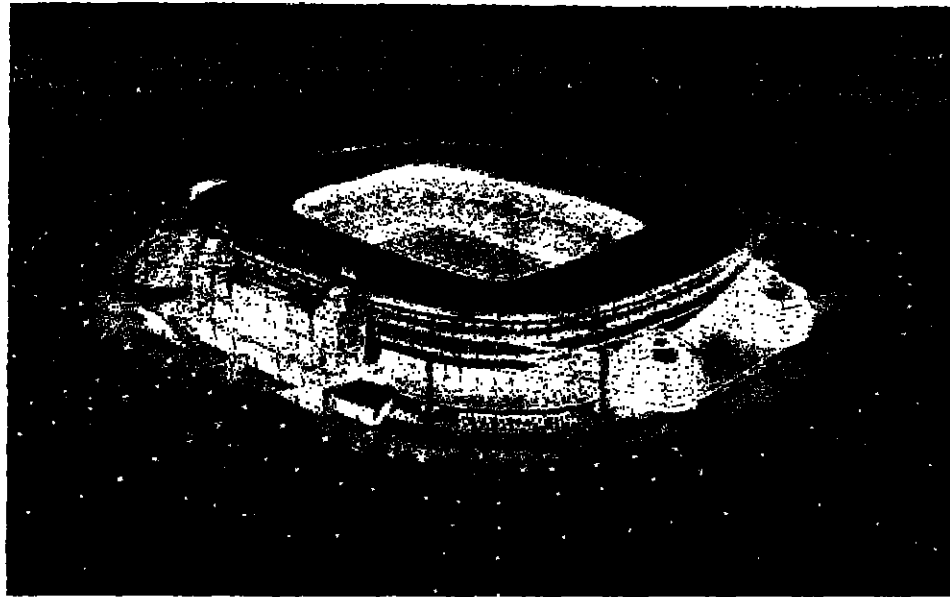
The city centre site - already cleared at a cost of Whitehall £30m - for the Olympic stadium stands empty. It would be a centrepiece for the Commonwealth Games, but probably half-full at best and a white elephant thereafter, like the shiny new velodrome next door. Nevertheless, Scott is one of the best lobbyists around with easy access to Downing Street.

Its importance should not be underestimated. Within a decade, soccer fans with a chance of winning the FA Cup could be chanting "We're on our way to Bradford Odsal" rather than Wembley. (Actually the current venue is also a candidate, the proposal being to demolish everything except the twin towers and start again.)

The committee that has been pondering this question for the past six months is led by the Sports Council chief Rodney Walker, but the issues to hand are far from being simply sports-led.

Factors ranging from regional economic regeneration to the result of the next general election are in play here. Take the prime minister. A self-avowed sports fan, John Major has often gone out of his way to assist Sir Bob Scott and his various Manchester Olympic bids.

In 1993 he diverted his official aircraft to Monaco in order to address the International Olympic Committee on behalf of Manchester's attempt to host the games in the year 2000. It went for naught, and now Scott has his sights set on



Wembley: proposal is to demolish everything except the twin towers and start again

the project at the time, but there is no doubt that, in purely sports terms, items such as the Don Valley stadium and the Ponds Forge swimming complex have been a success. Local taxpayers would have to answer the question as to whether it is appropriate for a city to build national scale facilities out of locally raised funds. The WSG debt will be with Sheffield for decades.

Certainly it is hard to see the present government acquiescing in such a prize as the national stadium for a city so keen to thumb its nose at Tory values. Its plan calls for doubling the 25,000-capacity of the Don Valley facility, with the possibility of an "extra tier". The council has agreed to meet any "net expenditure". I think we have been here before, so I will stick my neck out and say that the mantle will not fall on Sheffield.

Bradford deserves a prize (but not the one on offer) for sheerchutzpah. It wants to build only the fourth Skydome in the world (the others are in Toronto and Fukuoka, with a

third being constructed by the Ajax football club in Amsterdam) at a cost of £200m in a natural amphitheatre known as Odsal Top.

With retractable roof, the turf for the pitch moved in and out on robotised pallets, the adjoining shopping malls and hotels, it is a grandiose project with bells on. Having studied them in action, I can assure Bradford that the movers and shakers of the IOC and the IAAF will always choose Sydney and Cape Town ahead of worthy venues with special needs.

Which is another way of describing Wembley. Two weeks ago it topped with huge amounts of justified flak for having ticket-holders still queuing outside the ground while the opening game of the Rugby League World Cup was already 20 minutes into the first half.

Earlier this year, the holding company Wembley plc seemed to be about to go under, following unwise investments into such potential gold mines as American greyhound racing.

Aside from the memories and its attendant role in British folklore, it is hard to see what supports the idea of an important stadium in a grim north London suburb with poor transport. The Sports Council would find it hard to justify distributing hundreds of millions of pounds of public money bailing out a company with such a poor financial record.

# Constructions of light in New York

Colin Amery at the Museum of Modern Art

There is a tradition at the Museum of Modern Art in New York for the curator to attempt from time to time to define the architectural moment.

The Museum's latest survey is titled "Light Construction" and was organised by Terence Riley, the chief curator of architecture and design.

The exhibition looks back to the aesthetic consequences of the monumental Crystal Palace at the Great Exhibition in London in 1851. It was described at the time as creating a space of "shadowless light". With the spread of electronic media and computer-aided design, there is an aesthetic of change and the temporary. There are some 30 projects in this show from ten countries, and they are linked by their search for refined structures that almost invisibly contain light.

The signals that come from the selection are both confusing and inspiring. What is clear is that architecture of this particular moment is entirely international in an almost ethereal way. The patterns on the Internet are ordered but invisible. The patterns on the Internet are somehow just not up to the inventiveness of the technology that puts them there.

One exhibit, the Tower of the Winds by Toyo Ito, is a brilliant example of the capabilities of electronics and the computer to produce a sparkling urban light show. This tall tower had a life of ten years in Yokohama, Japan, and was recently dismantled. Perhaps that is appropriate. It displayed a burst of neon and synchronised lights like a giant firework - a short life but a visually spectacular one.

The work of the French architect, the well named Jean Nouvel, has star quality. His Cartier Foundation for Contemporary Art in Paris was the one building that

especially inspired the show. On the site of a 19th Century villa in the Boulevard Raspail, in the historic centre of Paris, Nouvel has placed a delicate and ambiguous glass structure.

His three tall glass planes make it hard to sense where the building ends and the fine garden with its cedars begins. Are the trees inside or outside? This is light construction because all the surfaces reflect each other and the world. But it is also a building that sensibly plans for the future. There are seven floors above ground and eight below, which provide parking for 123 cars - accommodating them invisibly.

Like his earlier Centre du Monde Arabe, in Paris, this work by Nouvel is superbly made, and that seems to me to be the key to the success of this highly wrought and expensive simplicity. New buildings can be as well made and beautiful as the finest aeroplane or car, but there is the proviso - do we want architects simply to design superb machines?

Less well made are the works of a firm of Swiss architects which has excited notice in the UK recently by being selected to convert the disused Bankside Power Station in London into the Tate Gallery of Contemporary Art.

On show at the Museum of Modern Art is the Goetz Collection from a private art gallery in Munich; and its famous copper-clad signal box at Basle. There is a minimalism and simplicity about the work, but somehow it does not reach that pitch of refinement that is needed to counter the emptiness of the simplicity.

The work of the two British architects in the show, Sir Norman Foster and Nicholas Grimshaw is of the highest quality. Foster shows his Business Promotion Centre at Duisburg, Germany, and

Grimshaw the Channel Tunnel rail terminal at London's Waterloo station. Both these buildings are intricate, light and superbly engineered.

There are some smaller constructions in the show which may help to answer the criticism that it is so short on houses. Philip Johnson's Ghost House is just that, a shadowy box of galvanised steel to shelter some flower beds.

The leisure studio by a group practice in Finland shows how a well-designed timber and glass frame building can bring light construction to a literal fulfilment - the architects built it themselves.

I am not convinced that Frank Gehry's Weisman Art Museum belongs here, as it is really a sculptural building that is clad in such a way that its metal walls reflect the sunset. It is far too solid a form to fit the category of ethereal lightness.

This is a useful survey of much of the current architectural scene but the days are past when one museum in New York can steer the world's architecture in a particular direction.

What it makes clear is that new technologies and new electronic forms of communications are the driving forces behind current design. The sad thing is that, at all places, the Museum of Modern Art did not explore this one crucial aspect in any detail.

Buildings and cities are going to be profoundly influenced by the bees in the ether that may make orthodox buildings themselves redundant. This is only hinted at in this show but must clearly be the subject of Mr Riley's next serious exposition.

Light Construction runs at the Museum of Modern Art in New York until January 2 1996.

## CONTRACTS & TENDERS

### Invitation to tender to purchase the Mandelli Group ongoing business in Extraordinary Administration

(April 3rd, 1979, n.95 Act)

The Commissioner of Mandelli Group informs

- that, following the invitation, published also on this newspaper on 19th December 1994, indications of interest to purchase the Mandelli Group ongoing businesses have been transmitted to him;
- that the ongoing businesses have been subject to appraisal by a pool of experts composed by professors Lorenzo Caprio, Pierluigi Benigno and Paolo Gualtieri, of C.E.S.F.I., Center of Financial Studies of Catholic University of Milan, managed by Prof. Mario Cantanéo;
- that the Commissioner has been authorized to start the sale procedure.

Therefore, every interested party is invited

to present irrevocable offers to purchase one or more of following ongoing businesses:

- Mandelli Piacenza Business**, inseparably composed by Mandelli Industriale s.p.a., Mandelli s.p.a., Plasma s.p.a., Spring s.p.a., all considered as one ongoing business, carrying on, in Piacenza, research and development activity, production and commercialization of machines and machining centers of high technological level within the field of industrial automation;
- Mandelli 2 s.p.a.**, manufacturing machinery in the field of machine tools and industrial automation, for the market, but nowadays principally for Mandelli Piacenza. The facility is located in Montefredane (AV);
- Prometa s.p.a.**, carrying on the manufacturing of mechanical high tech parts, generally in compliance with subcontracting agreements. The facility is located in Montefredane (AV);
- Hitec Campania s.p.a.**, carrying on research and products development with reference to the relevant processes of automation and control systems and manufacturing machines. The facility is located in Montefredane (AV);
- F.M.S. - Pama s.p.a.**, carrying on production and commercialization of heavy duty boring and milling machines, for the sectors requiring high quality. The facility is located in Rovereto (TN);
- Innse M.U. s.r.l.**, carrying on production and commercialization of large machine tools utilized in the fields of energy, various mechanic and iron metallurgy. The facility is located in Brescia;
- Saimp Sistemi s.p.a.**, carrying on the production and commercialization of grinding machines for manufacturing crankshafts, camshafts and rod parts. The facility is located in Padova.

An offer for more ongoing businesses on sale will be a preferential criterion for purchaser's selection, under the discretionary examination of the Commissioner. In particular the tender for the purchase of Mandelli Piacenza ongoing business (see point a. above) together with the tender for the Mandelli 2 ongoing business (see point b. above) will represent autonomous and preferential condition for the selection of the purchaser.

The terms and conditions for the presentation of tenders are exclusively those contained in a specific document entitled "Invitation to present irrevocable offers of purchase" that can be requested by the parties who have not yet answered to the invitation to express interest. The parties who have already expressed interest will directly receive the document.

The request for the above document, to be addressed by means of registered mail to the Commissioner's premises at Mandelli in Extraordinary Administration in Piacenza, Via Caorsana, n.35, tel. ++39 (523) 54.85.48, will have to contain:

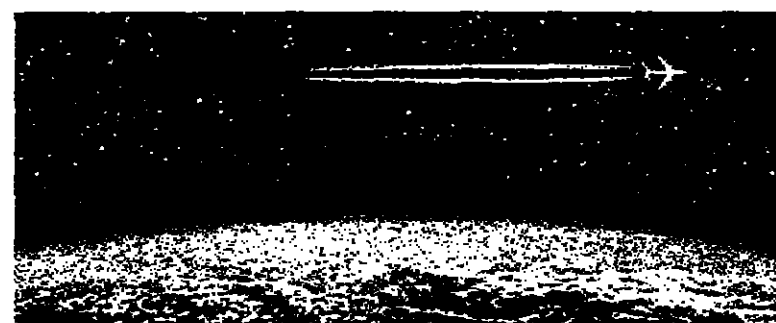
- identification of the interested party, which should be a limited company or other collective body, with the list of the first 10 shareholders and a copy of the last approved balance sheet;
- the Mandelli Group ongoing businesses for which the offer is made;
- a short description of the item and reason of interest;
- a declaration that the interest is exclusively personal, or, if on behalf of third parties, details on the principals and the information requested in the above point 1., should be provided;
- any other indication which is considered useful by the interested party in order to highlight its economic and financial possibilities in view of the acquisition;
- the subscription by the legal representative of the interested party, or the copy of the power of attorney in case of application on behalf of third parties.

The tenders will have to arrive, in compliance with the terms and conditions of said Invitation, under penalty of unacceptability, by and within 6.00 P.M. of the day 27th December 1995 in a closed envelope to the Studio Notarile Marchetti, Milano, Via Agnello, n.18.

This announcement does not constitute offer to the public according to art. 1336 of the Italian civil code, neither public offering of securities.

This announcement and the consequent relationship for which the governing text is exclusively the Italian language, are subject to the Italian law and jurisdiction.

The Commissioner  
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## BUSINESS TRAVEL

## Glasgow fare wars

EasyJet, a new UK cut-price carrier, was launched last week, immediately provoking a price war on London-Scotland routes, Michael Skapinker writes.

The new airline, launched by Stelios Haji-Ioannou, a 28-year-old shipping tycoon, is offering flights from London's Luton airport to Glasgow or Edinburgh with a lowest fare of £29 one way.

British Midland and Air UK quickly responded by offering fares of £58

return on London-Scotland routes. Unlike EasyJet, which will sell food and drink but offer passengers no free refreshment, British Midland said it would offer full service.

None of the offers are exactly what they seem. EasyJet's £29 fare will be available on all seats for two weeks, after which they will be offered on a first-come, first-served basis. Other passengers will fly for up to £59 one way, although EasyJet guarantees 100,000 seats a year at £29.

The other two airlines' offers have to include a Saturday night stay-over, something EasyJet does not stipulate.

## Record travels

A record number of US business travellers are taking trips, according to a survey by the Travel Industry Association of America and sponsored by OAG, publisher of airline guides, Scheherazade Daneshkhu writes.

More than 38m people made a business trip last year, up 9 per cent from 1991. The number of trips - 220m - was also at an all-time high.

The average business trip lasted 3.6 nights, up from 3.2 nights in 1991. More companies are using corporate travel departments to make airline reservations, according to the survey, with a corresponding decline in the use of travel agents.

## Euston lounge refit

InterCity West Coast has reopened its first-class lounge at London Euston station after a £120,000 re-fit, Charles Batchelor writes.

Before refurbishment 45,000 passengers a year used the lounge, which provides free tea, coffee and newspapers. The lounge has phones, fax machines, a photocopier and showers.

British Rail has first-class lounges at stations including London Kings Cross, Leeds, Newcastle upon Tyne and Edinburgh.

## French strike warning

French rail unions have called a one-day strike for Wednesday in protest at the "carving-up" of the SNCF state rail company and to demand pay negotiations.

A one-day strike recently brought transport and other state-owned businesses to a halt.

Scandinavian Airlines System said the union representing Norwegian cabin crews has warned of three two-day strikes early next month following the breakdown of pay talks.

Strikes will initially be limited to European routes, SAS said.

## Jo'burg charters

Cut-price charter flights to South Africa will start on December 4. The flights will be operated by Caledonian Airways for Bluebird Express and prices will start at £489 return for Gatwick-Johannesburg.

Still subject to South African government approval, the flights will depart on Mondays and Thursdays with connections to Cape Town, Durban and Port Elizabeth.

The company expects to generate about £12m of tourism revenue for South Africa a year, and said 1,000 people had already registered interest in the new service.

## Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	21	19	21	21	21
Hong Kong	27	25	23	24	25
London	14	13	16	17	18
Frankfurt	17	17	16	15	14
New York	23	23	19	21	21
L. Angeles	27	29	24	24	29
Miami	26	26	17	17	19
Paris	15	19	17	15	17
Zurich	16	16	15	15	15

Maximum temperatures in Celsius

It was once the city of gold but South Africans these days refer to Johannesburg as crime city. Carjackings and violent muggings have made the centre home to the financial district, a potentially dangerous place in which to do business.

Arriving in Johannesburg airport at night, I recalled a warning from a government official that travellers should be particularly careful not to use any old taxi at the airport.

I went outside the terminal building half-expecting to see a row of gleaming cabs under a sign "safe airport taxis" and a rival queue of unroadworthy vehicles ranged under "dangerous cabs". Since such illumination was lacking, I went back inside and asked the man in the information booth: "Where are the safe taxis?" He made a telephone call and asked me to wait.

A few minutes later a slight, softly spoken man appeared and I told him I needed to go to Parktown, a northern suburb. The charge was a flat rate of R120 - a bit on the steep side at about £22. But deciding it was better to be safe than sorry, I went with him to a minivan. I hoped there would be other passengers but when I got in the vehicle, there was no one other than a driver and the first man who jumped in beside him. As the door slammed shut, and I decided I didn't like there being two of them and only one of me, the softly spoken man read my thoughts. "There are two of us, ma'am, because I am teaching him the way."

This was not greatly reassuring. In the event, I had nothing to worry about, but tension and fear of violence pervades this unlovely city. South Africa has been fortunate to avoid war or revolution in its political transition, yet you would scarcely believe it from the state of parts of Johannesburg. Some buildings are so run-down they looked as

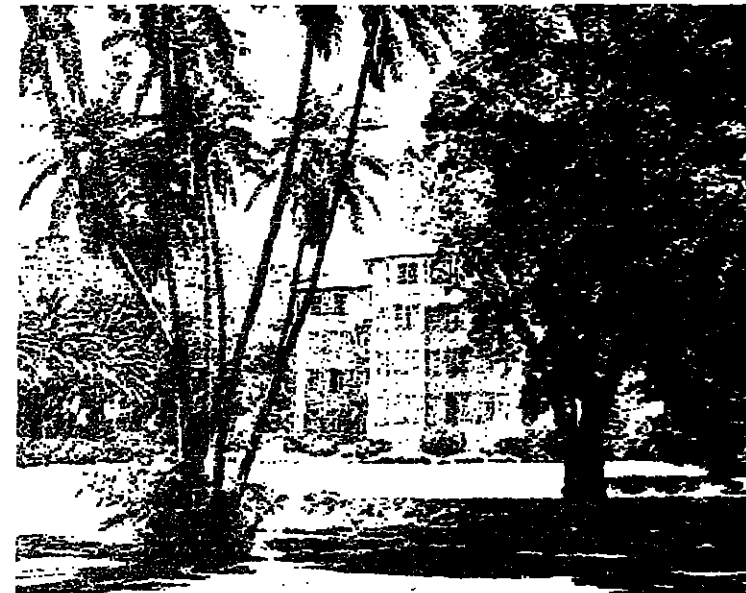
Visitors have plenty of places to stay despite some dangers and problems with infrastructure

though they were on the verge of self-demolition; others were gutted. A strike by municipal workers did not help, with piles of uncollected rubbish littering the streets.

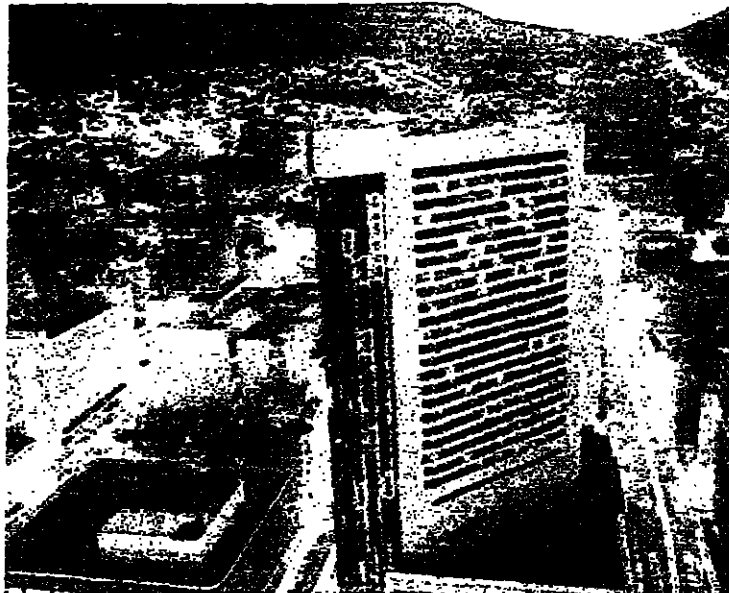
I surveyed the centre later from the gloom of my 11th floor non-smoking room in the concrete-encased five-star Carlton hotel in the heart of downtown Johannesburg. The hotel advises its guests not to walk alone after shopping hours or at weekends and provides security escorts to those who want them.

Given the atmosphere of the city centre, many businesses have relocated to the northern suburbs, such as Sandton, and this is also where new hotels are being built. Southern Sun, the largest hotel operator in South Africa, this year signed a joint venture with InterContinental. The long-established Sandton Sun and Towers now has InterContinental added to its name and is popular with many business travellers. The two companies also operate hotels in Durban and Cape Town.

InterContinental is the first international five-star chain to go into South Africa, but it will soon get a run for its money from Hyatt and Hilton, which are building from scratch. The Park Hyatt Johannesburg, which is due to open next month, is in Rosebank, another northern suburb which, like Sandton, is within easy driving distance of Pretoria, while Hilton Interna-



Check out the Cape Town alternatives: the Mount Nelson (left) and the Cape Sun hotels



tional will open a new hotel in Sandton in 1997.

If you are fortunate enough to have business in Cape Town, the choice of hotels is wider with the Mount Nelson, part of the Orient-Express group, heading the list. The entrance to this pink colonial hotel where breakfast is taken by the pool and an elaborate tea in the lounge overlooking the gardens, is through Doric columns guarded by a watchman who salutes each car

as it drives in. Old fans complain that prices here have increased steeply although the hotel says last year they rose by 20 per cent. Double rooms start at R975.

Trendy hotels include the California-style Bay hotel, in pink and white with bright split-level rooms, most of which overlook the Atlantic ocean; and the Victoria and Alfred in a converted warehouse at the bustling waterfront development. The four-star Vineyard in the

southern suburbs, which has a garden and mountain views is popular with business travellers and particularly good value with double rooms starting at R350. The Capetonian in the city centre and the Peninsula at Seapoint are also well-known business hotels.

The Southern Sun group also operates Holiday Inn hotels in the main cities, while Courtyard is a relatively new hotel brand, with a country-home atmosphere

aimed at business travellers.

One of the biggest problems wherever you travel in South Africa is getting around in the towns. Public transport is virtually non-existent but taxis are not cheap either. A car and driver can cost as much as £200 a day. If you are offered a company car and driver, take it. Otherwise, most South Africans expect visitors to hire a car, although many travellers may not find it practical to drive themselves around in unfamiliar

cities especially since parking can be a problem.

Needless to say, particular care is required in downtown Johannesburg. One driver told me that those who get carjacked are victims of their own carelessness. "They don't lock all their doors, they drive with a window rolled down and they stop at traffic lights at night."

Restaurants are still good value in South Africa and Margi Biggs, managing director of Cape Town-based Specialised Tours, says it is essential to make a booking in high season because of the level of demand. Visa and Mastercard are the most acceptable credit cards, she says, and there is very little credit card fraud. She advises avoiding hotels when it comes to changing money but says rates at airports are just as good as banks.

I flew to South Africa on South African Airways, which enjoys a duopoly with British Airways on the heavily booked London-Johannesburg route. Although I checked in almost an hour before the flight, it was so full that I was upgraded, which disposed me favourably towards the airline. The flight back in economy was bearable and the food good but I was lucky not to have anyone sitting beside me.

Flights from the UK are heavily booked and despite a recent upgrading, Johannesburg airport can barely cope with the strain of increased traffic. Mike Myburgh, chief executive of SAA, says the airport is too small and "totally inadequate at peak periods".

The distances between the larger cities are great, so flying is the quickest way of getting around the country. Since this is South Africa, the airports all have security booths for depositing arms, but you should not see too many guns around. A sign at Port Elizabeth airport warns: "Firearm carriers must not handle their firearms in public."

**THE AMERICAN EXPRESS**

*"I've just spent 10 nights in the wilderness and I don't have my card with me, can you help me get a shower and a real bed"*

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## OPENINGS



## LONDON

Dance lovers can see Merce Cunningham throughout the week in performances at Riverside and later Sadler's Wells, which will also show two creations by the splendid Slobodan Davies for her own company (left) on Wednesday and Thursday.

"Art and Power" (right) at the Hayward Gallery aims to study the relationship between culture and politics in the 1930s and 1940s, when Europe was polarised between communism and fascism. Opening on Thursday, the exhibition includes art made in the service of the state as well as in exile and opposition. It is built around four cities, beginning with the Paris International Exhibition of 1937 and moving on to Rome, Moscow and Berlin.

The latest biographical hit London is "Jolson", which opens at the Victoria Palace on Thursday. Brian Conley takes the title role; the show is by Rob Bettinson and Francis Essex.



## NEW YORK

The Metropolitan Opera's first new production of the season is Tchaikovsky's "The Queen of Spades", opening on Thursday. It is conducted by Valery Gergiev and staged by Elia Moschinsky, with a fine international cast including Ben Heppner, Karita Mattila, Leonie Rysanek and Dmitri Hvorostovsky.

## VIENNA

Italian composers dominate this year's "Wien Modern", the contemporary music festival founded by Claudio Abbado. In the opening concert on Wednesday, Hans Zender will conduct the Austrian Radio Symphony Orchestra in works by Scelsi, Donatoni and Stravinsky. Other highlights include an Abbado concert featuring music by Nono, and a weekend of film music by Mauricio Kagel. The festival runs till November 23.

## PARIS

Medieval Limoges enamels are the subject of a rare large-scale exhibition opening at the Louvre on Thursday. Among the 150 pieces are loans from French church treasures and the Metropolitan Museum in New York, where the show will be seen next year.



## CORK

From the opera house to every corner bar, Cork is given over to the consumption of jazz and stout next weekend. The Guinness Jazz Festival this year has an impressively international line-up which features British guitarist John McLaughlin, US pianist Cedar Walton and Joanne Brackeen and French violinist Didier Lockwood.

## A star is built

Nigel Andrews goes in search of the real Arnold Schwarzenegger

Is there a cure for the celebrity movie biography? Each year in the approach to Christmas they come tumbling onto the reviewer's doormat. New tomes on Cruise or Streep, on Garbo, Brando or Hoffman: most of them differentiated only by the degree of library-culled fanzine approbation or (not greatly preferable) novelty muckraking. Then suddenly this reviewer - by day a tempestuous film critic - finds himself writing one of these books himself. If asked why I spent 18 months of my life on a biography of Arnold Schwarzenegger, I shall say that it was partly because I thought a different approach was possible to the cine-hagiography; that there were surely more interesting mysteries to stardom than the usual love affairs, career vicissitudes, of fallings-in-and-out with wives, agents, lovers, audiences; and that these other mysteries are about meaning and process, charisma and camouflage, truth and myth. Which is why the book is called *True Myths*.

But why, asked colleagues, wasn't I writing about Jean-Luc Godard or the decline of the zoom shot in Burkina Faso? Instead the subject was a popular Austro-American star with a colourful life history, a gossipworthy marriage (to JFK's niece) and a Midas record at the box office. Films like *Conan the Barbarian*, *The Terminator* and *True Lies* had helped to make this man the highest-paid screen actor in history. Which prompted other people to make dark insinuations as to why I might be writing the book. "I hope it makes *pots* of money!" exclaimed Michael Winner, after I had quizzed him about his own meetings with the bodybuilder-turned-superstar.

But if the biography started out as a studious, even semi-semiological account of Schwarzenegger's cinema, it soon developed different and additional identities, thanks to the subject's surreal life and persona. For behind this man's story lies the seraphic eccentricity of the movie industry. How can it happen - where else could it happen - that a boy from an unheard-of village in southern Austria, who after voluntarily deforming his body in his mid-teens and becoming Mr Universe at age 20, should then stride on to take over Hollywood? All this in spite of an unpronounceable name, an incomprehensible accent (at least in early years) and an acting ability that we shall politely call limited.

Does such a marvel happen spontaneously? Is it a result of career ambition? Or is it a conspiracy between the epoch and the media,

whereby a certain icon is required by civilisation at a certain time and everyone rallies round - newspapers, TV programmes, PR industry - to ensure that epiphany takes place?

Refining the questions further: Is stardom active or passive? Are we talking about Designing Arnold, a man shaping his career with full self-will and self-knowledge, or Designer Arnold, a label formed in his name and with his material by other people?

It is surely no accident that this star achieved eminence during a period in American and western history - from the late 1970s to now, or from *Rocky* and *Conan the Barbarian* to *Terminator 2* and *True Lies* - when the image of male heroism was going through unprecedented fashions and upheavals. Popular cinema acted out a nation's or hemisphere's agonies first in the films of Sylvester Stallone, who brought the self-pity of the Carter era to his tormented heroes wading through the debris of Vietnam or Afghanistan; then in the unapologetic Reaganite gung-ho of Cinema Schwarzenegger. A quip, a grenade-launcher, a mission to save the world.

Something more, though, intrigued me about Arnold's screen image. Wasn't that semi-robotic impassivity somehow prophetic? Wasn't this actor's persona the most advanced rehearsal yet for a movie future we can all see coming: when computer graphics make inroads not just on a film's design and special effects but on its human participants?

Film-makers already use digital means to change an actor's eye colour or to put a star's face on a stuntman's body or even to accentuate muscle highlights. What better arena than the world of the macho action epic for piling the Pelion of computer trickery on the Ossa of men who already look like human landfills?

Today Arnold and "Sly" are still grappling it out near the top of stardom's greasy pole, for all the attempts of younger, less militaristic stars to dislodge them. Only the two Toms, Cruise and Hanks, pose any current threat. *True Lies* was last year's highest-earning action film worldwide, while Stallone has climbed to \$20m per film, re-taking his rival as the highest-paid screen actor in history.

Stardom, though, is not just a matter of having the right face (or body) at the right time. My interest was in how stars stay at the top, as well as how they reach it. How many people does it take - agents, publicists, lawyers, pushers, pullers - to protect

Arnold Schwarzenegger in 'Conan the Destroyer'

and defend the great person's "pole position"? In my experience it takes only a few, with a great deal of veto power.

At first I was assiduously discouraged from writing the book by Arnold's publicists, who declined to facilitate any of the interviews I sought with his closest movie industry colleagues. These I had to set up myself. Once, and only once, the Schwarzenegger support industry encouraged me to talk to someone. Arnold has long been unhappy with journalistic coverage of his father's one-time membership of a certain German political party beginning with "N". So Arnold's London lawyer asked me late in my research: "Have

you spoken to Simon Wiesenthal?" I hadn't, so I did. In short: I wasn't given help in talking to the journeyman directors who threw together *Last Action Hero* and *Junior*, but I was offered help, even urged, to talk to the most famous war crimes investigator in human history.

It is just as dangerous, of course, to be given a little leeway as none at all by those who represent your subject. Since all research-management devices are suspect, the best solution, I decided, was to foreground those devices in the book. So *True Myths* began to be a hit-tech biography, in the architectural sense. The more plumbing it exposed, the better. For this is all part of a celebrity's

story. No star ever came into the movie world fully formed and hand-icapped-free: not even the elaborately built Mr Schwarzenegger. Lots of other building work, overt or covert, goes into making a star: lots of other service pipes, light and heat ducts, concealed cabling. And of course - when the public is not looking - lots of PR-assisted camouflage to make it all seem spotless, seamless, serene, indestructible. This, after all, was the star whose eye on longevity, not to say immortality, was apparent from his earliest memorable movie utterance. "I'll be back."

*"True Myths: The Life and Times of Arnold Schwarzenegger" is published by Bloomsbury (£14.99, 350 pages)*

Obituary  
Sir Kingsley Amis

Sir Kingsley Amis, who has died at the age of 73, came into his own as a writer in 1954 with his novel *Lucky Jim* and he remained in favour among a wide circle of loyal readers for the rest of his life.

He was a steadily industrious professional writer, producing more than twenty novels. He was also a wit, a mimic of genius, a convivial clubman, a lover of serious music and jazz, a film and science-fiction buff, a cricket enthusiast, a restaurant critic, a wine connoisseur, and a more than occasional poet and literary critic. His qualities and wide range of interests are fully reflected in his characteristically abrasive memoirs, published in 1991.

Amis was educated at the City of London School before the second world war and went on to St John's College, Oxford. Contemporaries there included John Wain, Alan Ross, Edward du Cann, Philip Larkin - who became a life-long friend - and the historian, Trevor Aston. Amis's Oxford career was interrupted by the war and service in the army, reflected in his novel *The Anti-Death League*. On his return to Oxford in 1947, he read a short-essay course in English, secured a first, published poetry in little magazines, and went off to be a university lecturer in Wales.

He had married Hilary Bardwell in 1948 by whom he had a daughter and two sons (one became the novelist Martin Amis). The marriage was dissolved and he married as his second wife, the author Elizabeth Jane Howard, in 1963. When that marriage was dissolved in 1983, Amis returned to live with his first wife and her husband in London.

He was knighted for his services to literature in 1991, and for more than 20 years he was a Garrick Club regular at luncheon where his sallies would send ripples of laughter among his cronies at the bar until they, somewhat reluctantly, around two, fifteen, made their way down to lunch.

After the publication of his first book, Amis could well have echoed Byron and said: "I awoke and found I was famous." Like Childe Harold, Amis's Jim Dixon, a post-war lecturer in a provincial university, immediately became an icon. He was made to stand for the attitudes of a new generation. It consisted mainly of university graduates from humble backgrounds. "They do not go to the university to acquire culture," said Somerset Maugham, "but to get a job, and when they have got one, scamp it. They have no man-

ners and are woefully unable to deal with any social predicament. Their idea of a celebration is to go to a public house and drink six beers... They are scum."

Maugham's remarks about *Lucky Jim* triggered a national debate. Others saw Dixon (and Amis) as a shining white knight, a new-style champion of honesty and integrity in his refusal to accept a perpetuation of the shams and snobberies and class-barriers of pre-war England. With his contemporary John Wain, whose first novel *Hurry On Down* had appeared the year before, and with another legendary Jim - Osborne's Jimmy Porter - also blasting away against upper-class English mores, a new "movement" was born in the eyes of journalists. For the next decade we were in the era of the Angry Young Men.

Amis was by no means averse to profiting from the publicity and increased sales derived from such labelling. He made a cult of abrasiveness and was always ready to oblige with an article or a television appearance. But as his career developed with novels such as *The Uncertain Feeling*, *Take a Girl Like You*, *One Fat Englishman*, *I Want It Now*, it became clear that he had triumphantly survived his early notoriety and matured as a novelist of great resources in the area of social comedy. His place was with Waugh and Powell, as a comedian for whom purity of style and elegant sentence construction was always the supreme value whatever satirical target was in sight.

As a former teacher Amis liked to make his readers work hard as well as enjoy themselves. He was fond of taking over a traditional form like the pre-war detective story - as in *The Riverside Villas Murders* - or the novel of the supernatural as in *The Green Man* - and adapting it to his own predilection for acute observation of contemporary manners.

His period as a lecturer in Swansea had given him an undying love-hate of the Welsh and the principality to which he often returned and re-used as a setting in his fiction, as in *The Old Devils*, awarded the Booker Prize in 1985. Old age and its disabilities provided him with some fine material for subsequent novels. Amis was a great admirer of both Chesterton and Kipling, about whom he wrote a study. His work like theirs is likely to be read for some time to come. His latest novel, *The Bognor Regis Moustache*, was published this September.

Anthony Curtis

INTERNATIONAL  
ARTS  
GUIDE

## AMSTERDAM

## GALLERIES

Rijksmuseum Tel: (020) 673 2121  
● The Portrait, drawings, prints and photos spanning some 500 years. Artists include Van Gogh, Rembrandt and Gauguin; to Oct 29  
Stedelijk Tel: (020) 573 2911  
● 100 Years: three exhibitions to celebrate 100 years of the Stedelijk. On show is art from the Regnault Collection which includes the likes of Kandinsky, Chagall and Chirico plus specially commissioned work for the century; to Oct 29  
OPERA/BALLET  
Het Muziektheater Tel: (020) 551 8922  
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 23, 25, 28

## ANTWERP

OPERA/BALLET  
De Vlaamse Opera

Tel: (03) 233 6685

● The Marriage of Figaro: by Mozart. A new production directed by Guy Joosten and conducted by Peter Erkens. Soloists include Boje Kovhus, Gillian Webster and Stephen Gadd; 7.30pm; Oct 25, 28, 31

## BERLIN

## OPERA/BALLET

Deutsche Oper Tel: (030) 34384-01  
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing. Production by Pier Luigi Samaritani; 7.30pm; Oct 25

## BILBAO

Bellas Artes Tel: (344) 441 9536  
● Liebermann, Slevogt and Corinth: representatives of German Impressionism; to Oct 29

## FRANKFURT

CONCERTS  
Alte Oper Tel: (069) 134 0400  
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts Beethoven's "Symphony No. 1" and "Symphony No. 3"; 8pm; Oct 31  
● State Orchestra of Dresden: Giuseppe Sinopoli conducts Busoni, Schoenberg, and Tchaikovsky; 8pm; Oct 30

## LONDON

CONCERTS  
Royal Festival Hall Tel: (0171) 928 8800  
● Guitar Encounters: an evening of guitar, flamenco and Andean music

with John Williams, Paco Pena and Inti-Illimani; 7.30pm; Oct 24

● The London Philharmonic: with mezzo-soprano Jennifer Larmora, bass José van Dam and the London Philharmonic Choir. Roger Norrington conducts Berlioz's "The Damnation of Faust"; 7.30pm; Oct 25

● The London Philharmonic: Gary Berkson conducts a selection of ballet classics; 7.30pm; Oct 27

GALLERIES  
Hayward Tel: (0171) 261 0127  
● Art and Power: examination of the relationship between art and politics in thirties and forties Europe where culture became an arena for the struggle between Communism and Fascism; from Oct 28 to Jan 21

OPERA/BALLET  
English National Opera Tel: (0171) 632 8300  
● Carmen: by Bizet. Conducted by Sir David McVicar. Soloists include Louise Wintler, Robert Brubaker and Janice Watson/Cathryn Pope; 7.30pm; Oct 26, 29; Nov 1

CONCERTS  
Dorothy Chandler Pavilion Tel: (213) 365 3500  
● Los Angeles Philharmonic: with violinist Joshua Bell, Franz Weller Most conducts Hindemith, Sibelius and Shostakovich; Oct 26, 27, 28 (2pm), 29 (2.30pm)

● State Orchestra of Dresden: Giuseppe Sinopoli conducts Busoni, Schoenberg, and Tchaikovsky; 8pm; Oct 30

● The London Philharmonic: with mezzo-soprano Jennifer Larmora, bass José van Dam and the London Philharmonic Choir. Roger Norrington conducts Berlioz's "The Damnation of Faust"; 7.30pm; Oct 25

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● State Orchestra of Dresden: Giuseppe Sinopoli conducts Busoni, Schoenberg, and Tchaikovsky; 8pm; Oct 30

sketches by the 18th century artist who was responsible for many of the frescos in the Royal Palace of Madrid; to Oct 29

## MUNICH

OPERA/BALLET  
Bayerische Staatsoper Tel: (089) 22 13 16  
● Anna Bolena: by Donizetti. Conducted by Fabio Luisi and produced by Jonathan Miller. The cast includes Edita Gruberova, Vessellina Kasarova, Anne Salvan and Roberto Scanduzzi; 7pm; Oct 30; Nov 2

CONCERTS  
Carnegie Hall Tel: (212) 247 7800  
● BBC Symphony Orchestra: with violinist Nadja Salerno-Sonnenberg. Andrew Davis conducts Carter, Glazunov and Brahms; 8pm; Oct 25

● Maurizio Pollini: pianist plays an all-Beethoven programme; 7.30pm; Oct 23

● Pittsburgh Symphony Orchestra: with flutist James Galway. Lorin Maazel conducts Gaudy, Mercadante, Maazel and Bartok; 8pm; Oct 27

● Pittsburgh Symphony Orchestra: concert performance of Wagner's "Tristan and Isolde" conducted by Lorin Maazel. Soloists include Carol Yahr, Heinz Kruse and Falk Struckmann; 8pm; Oct 28

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sexuality of art. Exhibition exploring sexual identity and its effect on twentieth century artists; to Jan 8

● Hybert, Guardona and Rouvenko-Bertin: running in conjunction with the "Feminine-Masculine", three artists of different styles produce works that demonstrate the relationship between sex, the body and sexual differences; from Oct 25 to Jan 1

● Robert Morris: retrospective of the American Minimalist; to Oct 23

Centre National de la Photographie Tel: (1) 53 76 12 31  
● Martin Parr: British photographer uses motorists and tourism for his inspiration; to Oct 30

Galerie Schmitt Tel: (1) 42 60 36 36  
● "La Femme": from Corot to Chagall. 60 paintings dating from 1824-1949 by artists such as Degas, Gauguin, Picasso and Renoir; from Oct 24 to Feb 28

● Pittsburgh Symphony Orchestra: with flutist James Galway. Lorin Maazel conducts Gaudy, Mercadante, Maazel and Bartok; 8pm; Oct 27

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## OPERA/BALLET

Wiener Kammeroper Tel: (1) 512 0100  
● The Turn of the Screw: by Britten. Conducted by Edgar Seltenbusch/Jean Grimaldi. Soloists include Mark Duffin, Olga Schalaeewa and Felix Puzner/Ingo Petersen; 7.30pm; Oct 23, 25, 28, 30; Nov 1

## WASHINGTON

CONCERTS  
Kennedy Center Tel: (202) 467 4600  
● National Symphony Orchestra: with pianist James Tocco. George Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninov's "Symphonic Dances"; 8.30pm; Oct 24

● National Symphony Orchestra: Sir Neville Martinson conducts Bartok, Mozart, Nelson and Beethoven; 8.30pm; Oct 26, 27, 28

● Pittsburgh Symphony Orchestra: with violinist Hilary Hahn. Lorin Maazel conducts Mendelssohn and Bartok; 8pm; Oct 25

● Pittsburgh Symphony Orchestra: with pianist Hae-Jung Kim. Alexander Dmitriev conducts Tchaikovsky's "Piano Concerto" and "Symphony No. 4"; 8.30pm; Oct 30

GALLERIES  
National Museum of Women in the Arts Tel: (202) 783 5000  
● Julia Margaret Cameron: the Mia album. 19th century photographs including portraits of Alfred Lord Tennyson and Sir John Herschel; to Oct 29

● Pittsburgh Symphony Orchestra: with violinist Hilary Hahn. Lorin Maazel conducts Mendelssohn and Bartok; 8pm; Oct 25

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# Cutting taxes is not a crime

I am amazed that so many people recoil in horror at the Republican plan to cut taxes by about \$245bn over the next seven years. The liberal (left-leaning) establishment is more opposed to tax cuts than to spending restraint or budget balance – and it does not like these nostrums.

My view is that there is always a prima facie case for tax cuts. The only valid case for taxes is to finance the provision of "public goods" that cannot be provided by free markets. Economists can debate what exactly should count as a public good, but they cannot possibly argue that most public spending falls into this category. Private markets undoubtedly can supply pensions, healthcare, education and much else now in the public domain. The desirability of substantial tax cuts in the US (and elsewhere) should thus not be in question.

When and how to lower taxes are, of course, matters of some delicacy. The Republican plan should not be misunderstood. It is no more than a token "down payment". Republicans promised tax relief in the Contract with America, their manifesto for the 1994 elections, but they have not had time to devise comprehensive reforms. Really big changes, such as a flat rate income tax, are not feasible before 1997. But given this constraint, and the need to eliminate budget deficits, their proposals look reasonable.

The proposed tax relief is minuscule. A number like \$245bn sounds impressive. But it should be compared with expected gross domestic product over the seven year period in question of almost \$60,000bn. The Republicans are planning to lower taxes by a grand total of 0.4 per cent of GDP, equivalent to no more than a rounding error in the national accounts.

Nobody can construe this as fiscally irresponsible when the outlook is for moderate economic growth and low inflation. The cuts, moreover, will take effect only if the Congressional Budget Office, an independent arbiter, agrees that spending restraint is sufficient to attain the goal of budget balance by 2002.



**MICHAEL PROWSE**  
ON AMERICA

Nor do I see any great flaw in the proposed composition of the fiscal relief. The largest element is a \$500 tax credit for children, which will cost \$141bn over seven years. The justification for relief in this form is that the tax burden on families with children has risen sharply relative to that on other households, owing to an unplanned decline in the real value of tax allowances for dependents. This makes little sense given that policy makers want to bolster the nuclear family.

In the original House proposal, the credit was to be available for families earning up to \$200,000 a year. But the final legislation is likely to correspond closely to the bill approved last week by the Senate Finance Committee. This limits the credit to single-earner families making up to \$75,000 and two-earner couples making up to \$110,000. The main beneficiaries will thus be the middle-income families that President Bill Clinton is so keen to help.

There are a host of other measures including increased tax relief for student loans, an expansion of tax-favoured Individual Retirement Accounts and cuts in estate taxes for small businesses. But these are negligible in revenue terms. The remaining big item – and one that infuriates most Democrats – is the proposed reduction in capital gains taxes, which would cost \$40bn over seven years and offer sizeable benefits for affluent families. The measure is seen as reprehensible when Republicans are paring back the earned income tax credit, a kind of negative income tax for the working poor.

Few Republicans object in principle to efforts to top up

the incomes of the poor. They agree the programme (which already covers about a third of families with children) should grow, but not quite as fast as under White House plans. Senate Republicans would increase spending on the earned income tax credit from \$24bn to \$32bn over the next seven years, against the White House target of \$36bn. They would set an upper limit for receipt of subsidies at a family income of \$30,200 rather than \$34,600 on present policies. Such households may not be rich, but they are hardly living in poverty. Once again the Democratic scaremongering is unjustified.

The economic case for cutting capital gains taxes, meanwhile, is quite powerful. Tax is currently levied at a top rate of 28 per cent on the first dollar of gains. This is more severe than it sounds because there is no indexation for inflation. If the inflation rate is 3 per cent and an asset earns a real return of 2 per cent, the effective tax rate on gains is 70 per cent. At higher rates of inflation, the effective tax rate goes above 100 per cent.

Such a tax almost certainly inhibits risk-taking while deterring the sale of assets. Capital, as a result, is not allocated efficiently. The Republican proposal would allow investors a 50 per cent deduction on gains, which would reduce the top rate to 19.8 per cent, about the same as in the early 1980s.

This would bring the US into line with other countries, most of which tax gains less heavily than ordinary income. The UK indexes gains for inflation; other countries make a distinction between short and long-term gains. Germany, for example, does not tax gains on shares held for more than six months.

The Republican plan represents a modest first step on what is likely to be a long campaign to bring taxes down to sensible levels – such as those prevailing before the post-war expansion of the welfare state. The campaign is likely to be popular with voters – as Mr Clinton tacitly conceded in Texas last week when he admitted he had raised taxes too much in 1993.

A decade or so before the Beatles were turned down for their first recording contract, Mr Joe Bamford had a similar experience at the hands of a credit finance house which decided he had "little chance of expansion".

The judgment was harsh even in the early 1950s – Mr Bamford, who had started his business on October 23 1945 at a rented lock-up garage in the Staffordshire town of Uttoxeter, was already expanding fast. Today, as J.C. Bamford Excavators (JCB) celebrates its 50th birthday, it seems singularly perverse.

JCB, still owned by the Bamford family, has grown into one of the few big success stories in postwar British engineering. It is by far the largest UK-owned producer of construction and agricultural equipment. Its name is so well known that it is commonly used in the UK to describe any excavator, in the same way that vacuum cleaners tend to be called "Hoovers".

Across Europe as a whole, it has more than 40 per cent of the market for backhoe loaders – machines with a loading bucket on the front and an excavating "hoe" on the back. In unit terms, it is the world's fifth biggest producer of construction equipment.

JCB has achieved this prominence in spite of being pitted against some increasingly powerful multinational competitors, because of a rare combination of marketing flair, product development skills and careful financial stewardship.

Right from the start, Mr Bamford, who comes from a well-to-do Staffordshire family with a history in agricultural machinery going back to 1871, kept spending under close scrutiny. As a new book\* on the company recounts, one important aim of his product designs was to use fewer parts than competitors' machines. "Parts are money. Better to keep it simple," he says.

The company has consistently ploughed all its profits back into the business, with a very high rate of investment in products and facilities. It has stayed debt-free, relied almost totally on organic growth, and resisted any temptation to go public or diversify out of construction or agricultural equipment.

"People worry about the [construction equipment] cycle, so they buy something to counter it," says Sir Anthony Bamford, who took over from his father as managing director on new year's eve

JCB has confounded an early judgment to reach its 50th birthday, says Andrew Baxter

## A simple story of success



Sir Anthony Bamford

Joe Bamford

1975, and was later appointed chairman. "Before long, you've got a conglomerate. We plough our own furrow, still selling our yellow machines."

It came closest to branching out of construction equipment in 1985 when it emerged as a suitor for Land Rover. But the company felt that restructuring the off-road vehicle producer could have created financial and management strains, and negotiations eventually fell through.

The marketing flair of senior management has been another factor behind JCB's success. Its early history is littered with examples of Mr Bamford's showmanship. In the mid-1980s, having hit on the idea of putting a kettle in the cab of a new model so that operators could make tea, he visited the first 100 operators in his Rolls-Royce to hand them their kettles personally. He even had JCB management dressing up as bandmen for a product launch, while the real band played behind the scenes.

The stunts and the image-building had a serious purpose, however. The JCB Dancing Diggers, a choreographed routine that has become a regular feature of equipment shows and trade fairs, were designed

to show off the potential of hydraulic power and helped sell machines.

Moreover, virtually every aspect of JCB's marketing made the company appear larger than it was. The "David and Goliath" thing has been a strong motivator at the company, says Sir Anthony, who has earned a solid reputation in his own right for developing the business since taking over the reins. "Our competitors are principally much larger US and Japanese companies, and there's no reason why we can't be as good as them. That has been behind our attitude of pushing all the time."

Observers point out that Mr Bamford's flair for marketing was coupled with exceptional engineering skills. According to Mr David Phillips, managing director of the London-based Off-Highway Research consultancy, "the combination was 'pretty well unique' in the UK. JCB was also an early believer in exporting. But it focused on continental Europe

– in particular France – rather than the Commonwealth countries favoured by most UK engineering exporters in the 1950s and 1960s.

Sir Anthony admits that this was less due to any far-sighted

strategy than because "Europe was generally the cheapest place my father could get to". Nevertheless, Europe – including the UK – now accounts for about 65 per cent of sales and is viewed by JCB as the company's "home market".

The fact that the company has remained in family control has also helped its development, its founders say. This is because its unpretentious culture has helped it to react rapidly to changes in market needs.

Sir Anthony says JCB could still have been successful as a public company, but less so than it has been. "Decision-making is quicker here, and executives do not have to spend 40 per cent of their time talking to the City."

Going public would have given JCB access to equity capital, and might have enabled it to expand more quickly. But the Bamfords did not want to run the risk of being taken over.

Crucially, JCB has avoided saddling itself with debt. Soon after he started the company – following an early career that included a spell selling Smartfix hair cream – Mr Bamford nearly lost it when the local bank manager gave him a

weekend's notice to pay off a tiny overdraft. He determined never to get into a similar situation again.

JCB now has substantial amounts of cash in the bank. According to Sir Anthony, "There have been a couple of occasions when we have borrowed, and I have felt uneasy about it."

JCB's financial strength helped it get through the last recession without falling into the red, while its size has increased its bargaining power with suppliers, helping it to hold component costs down. As one large subcontractor says: "They are happy to work with us and are very supportive – but it's all aimed at getting prices down even further."

Sir Anthony, whose 50th birthday coincides with today's anniversary, says JCB is "well on its way" to achieving his ambition of becoming as big in its home market of Europe as the industry's two largest manufacturers – Caterpillar of the US and Komatsu of Japan – are in theirs. For this ambition to be fulfilled, JCB would need to more than double its European market share to 35-40 per cent, compared with about 16 per cent in unit terms at present.

The company's ability to penetrate the German market, which accounts for about 40 per cent of total European construction equipment sales, has been significantly enhanced in recent years, partly because of a joint venture signed in 1991 with Japan's Sumitomo Construction Machinery.

Sir Anthony is adamant that JCB – whose sales may reach \$1bn this year – can continue growing without changing its ownership structure. "We don't need more capital, and we could borrow if we ever wanted to buy a business," he says.

Nor does he see any need for the company to begin producing machines in its own right outside the UK, which, he says, is still a very good manufacturing base. It may, however, seek to expand its presence in far eastern markets.

Meanwhile, the man who started it all, Mr JCB, retains a passionate interest in the company's product development strategy. Now 78, he still shakes his head at often productive visits to the company's design departments. The JCB Robot, an innovative new loading machine launched in 1993, is based on one of his ideas.

\* JCB – The First 50 Years, by John Mitchell. Special Event Books.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

### Asean free trade area doubts

From Mr Dean A. DeRosa.

Sir, Your correspondents, Kieran Cook and Peter Montagna, are to be commended for their article, "A liberal patch of eastern spice" (October 18), discussing Asean and its intention to forge more liberal trade in south east Asia through the establishment of the Asean free trade area. In a recent study, *Regional trading arrangements among developing countries: the Asean example* (Research Report 103, International Food Policy Research Institute, Washington, DC), I find that trade liberalisation by the Asean countries following the most-favoured-nation principle, which underlies the General Agreement on Tariffs and Trade and the World Trade Organisation, implies substantial gains for five leading south east Asian countries (Indonesia, Malaysia, Philippines, Singapore and Thailand). Their combined trade with

the world, for example, is estimated to expand by 8.5 per cent, or \$3.1bn (at 1988 prices). A troubling aspect of my quantitative findings, however, is the additional finding that if the Asean free trade area is implemented on the preferential basis called for under the common effective preferential tariff scheme, which is the central feature of the new regional trading arrangement, the bloc's trade with the world is expanded by only 2.3 per cent, or \$2.4bn. Moreover, discrimination under the preferential tariff scheme produces only bare improvements in the real income and economic welfare of most Asean countries.

Finally, preferential trade liberalisation results in little reduction of the bias against agriculture in the region, which arises from the higher protection for industry than agriculture in several Asean countries.

Thus, an important issue is whether the Asean free trade area will truly be implemented on an unconditional most-favoured-nation basis. Despite some general language in the agreements establishing an Asean free trade area and statements by Asean trade ministers suggesting commitment to multilateralism and "open regionalism", strong support in south east Asia for preferential trading arrangements, and the preferential tariff scheme by which the new free trade area is to be implemented, suggests that trade discrimination rather than the most-favoured-nation principle is the maxim by which the Asean free trade area should be described.

Dean A. DeRosa, Food Policy Research Institute, 1300 17th Street, NW, Washington, DC 20036-3006, US

### No value in poor option schemes

From Mr Peter M. Brown.

Sir, The proposed profit-related pay and option schemes for British Nuclear Electric may pose safety risks, but there are examples at equally safety-conscious employers – the Civil Aviation Authority and at least one of the privatised rail bidders – where safety standards themselves trigger merit awards.

Thoughtful private sector employers now realise that crude annual profit measures that do not also enhance customer care and goodwill, even if it is not shown on the balance sheet, may not deliver long-term shareholder value. Peter M. Brown, Top Pay Research Group, Upper Ground Floor, 9 Savoy Street, London WC2R 0BA, UK

### Dumping policy needs pragmatism, not ideological prejudices

From Mr L.J. Blakey.

Sir, I was interested in your article "Pressure grows for EU to overhaul dumping policy" (October 18).

As both consumers of raw materials subject to anti-dumping duties, and as a "domestic industry" seeking protection from dumped imports of competing products (not to mention as victims of anti-dumping measures imposed on our exports to

north American markets), steel producers are perhaps uniquely placed to reach a balanced view on this subject.

To couch this debate in terms of "liberalism" versus "protectionism" is not helpful to EU manufacturing industry. The competitiveness of the EU's manufacturing base will be eroded if otherwise efficient industries are deprived of the ability to seek swift and effective remedy against surges in

low-priced imports. Equally it must be clear that the greater a consuming sector's reliance on imported feedstock, the higher the weighting that should be given to that sector's needs within the assessment of Community interest.

What manufacturing industry needs from EU trade policy is efficient, transparent and unambiguous investigations, with pragmatic and balanced results. It does not need

increasing politicisation of trade law, whether in the form of Commissioners bringing their own ideological prejudices or geopolitical considerations to bear, or unseemly horse trading between Member State governments.

L.J. Blakey, director general, British Iron and Steel Producers Association, 5 Cromwell Road, London SW7 2HX, UK

### Back to drawing board before monetary union likely in Europe

From Mr Tim Readman.

Sir, It is regrettable that so much time since the fall of the Berlin Wall has been lost in the great EU red herring of Maastricht. Professor De Grauwe ("An easier road to Emu", October 17) and Mr Avinash Persaud (Letters, October 18) have, like so many UK politicians also, overlooked the main issue.

History already instructs us that German support for the French-inspired Treaty of Maastricht was the French price extracted from its partner for allowing German reunification to proceed unfettered.

However, with Emu as a precursor to the final French Lilliputian victory – political union

– Chancellor Kohl carefully reserved two trump cards. The first, that France, along with all other potential Emu members, must meet the economic convergence criteria by 1997 and the second, that the Bundestag must ratify the sacrifice of the D-Mark.

The political likelihood of either event happening recedes with each passing month as recent problems with the French franc and the growing internal German debate demonstrate. In its present form, Maastricht's days are numbered and therefore Europe will have to go right back to the drawing board before monetary union can become reality.

We should therefore prepare for the post-Maastricht melting pot where Britain can make a real contribution.

Britain has the oldest democratic tradition in Europe while postwar Germany has demonstrated how effective a new democracy can be. The glaring flaw in the EU is that it is anti-democratic.

Power lies not with elected representatives but with appointees of national governments all seeking to preserve their national interest. In our name, the Council of Ministers disposes of a huge annual budget over which there is no direct democratic control or accountability. Were there some, dislike of Brussels would

not be so widespread among the peoples of the EU.

Together with other like-minded countries, Germany in particular, we must set about creating a new framework for an economic Europe with a strong, democratic centre and a constitution that will enshrine the principle of subsidiarity while providing a democratic path for further integration if and when Europe's peoples, rather than their local politicians, will it.

Tim Readman, Trinity Research and Management, New Hall, Llandern, Thorpe-le-Soken, Essex CO10 0NZ, UK

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# FINANCIAL TIMES

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Monday October 23 1995

## The future of the alliance

For the second time in just over a year, Nato faces an unscheduled change of secretary-general. Neither the untimely death of Manfred Wörner last year, nor the Belgian parliament's decision to lift Willy Claes's immunity from prosecution last week, could be attributed to the alliance's problems. Yet the lack of continuous leadership highlights, and may aggravate, the troubles of an organisation whose role in the post cold war world remains hard to define. Nato may be deemed to have won the cold war, at least in the sense that the threat it was set up to deter - that of a Soviet aggression against western Europe - remained implicit rather than explicit, and eventually disappeared. That left Nato the victim of its own success: a defensive alliance without an enemy.

In theory there is nothing wrong with that: a permanent alliance which deters third parties from attacking its members must be preferable to one that has to be cobbled together. But in practice alliances are more difficult to manage when the need for them is not immediately obvious.

The allies are less willing to set aside their fraternal quarrels. The alliance machinery grows rusty with disuse, or is used for tasks beyond its original remit, giving rise to controversy and exposing itself to damage. Without an identified enemy, the distinction between members and non-members becomes invidious and difficult to explain. There is a risk that the alliance's activities - especially if they include expansion of its membership - will arouse enmity rather than deterring it.

### Divisive speculation

Nato is experiencing all those problems. The extent to which it should remain US-centred, or evolve into a more balanced partnership between north America and an integrated Europe, remains controversial. The strength of the US commitment to European security, in the absence of a clear threat, is the subject of much divisive speculation. The dispute between Greece and Turkey, which has long taken up far too much time and energy, has now escalated to the point where it obliges Nato to operate without a proper budget, and may sabotage

the "Partnership for Peace" programme under which the alliance is trying to organise co-operation with non-members.

Since the cold war ended, Nato has sought to justify its existence by expanding its activities both functionally and geographically. Three years ago it announced its availability for peacekeeping or "peace support" operations. That offer may now be put to the test if the promised peace in Bosnia materialises.

### Bitter recriminations

Meanwhile, the alliance has found itself acting as an enforcer in support of a UN force in Bosnia, with rules of engagement so complex, and chain of command so tortuous, as to cause bitter recriminations among the allies. The cold war notion of "out of area" (meaning that Nato should not operate outside the territory of its member states in Europe or north America) has been quietly dropped.

The dispute over enlargement has so far been finessed by a series of delaying tactics, but is about to enter a more acute phase. Russian hostility has been aroused - or at least a plausible threat has been provided for Russian xenophobes to exploit. The expectations of central European candidate members have been raised, and the anxieties of states closer to Russia, deemed ineligible for early membership, correspondingly heightened. Nato may well end up with the worst of all worlds, contributing to a general atmosphere of tension and insecurity in eastern Europe instead of "projecting stability" as the advocates of enlargement aim to do.

The new secretary-general will not by himself be able to solve any of these problems. They require clear thinking, imagination and strength of resolve from the leaders of the most important member states, above all the US. But the secretary-general can be a valuable source of ideas, and he (or she) can do much to ensure that member states remain conscious of the wider interests of the alliance as well as their national grievances. The post is too important to be given in consolation (as happened last year) to a small country which failed to secure a different job for a different candidate in a different organisation.

## Windfall and feelgood

While Mr Kenneth Clarke, the chancellor, ponders how to cheer the electorate in next month's Budget, the private sector appears keen to offer him off-balance sheet help. Yorkshire Electricity is giving its shareholders a second special dividend in less than a year. Flotation of the National Grid will generate a £50 electricity rebate next year. And following Lloyds Bank's takeover of Cheltenham & Gloucester, Abbey National's offer for National & Provincial, and the Halifax-Leeds merger and flotation, windfalls approaching £15bn will fall into the laps of building society savers and borrowers.

The habit may now be spreading to mutual insurers, since Norwich Union is expected to give policyholders a bonus if it decides to float. Will this help produce the "feelgood" factor that has been so conspicuously lacking in an otherwise buoyant recovery?

Much hinges on the timing and nature of the windfalls, and the response of recipients. At one extreme is the regional electricity companies' rebate, which will reduce the average household electricity bill by 80 per cent. Common sense suggests that much of this will be earmarked for consumption, not least in poorer households, which have a low propensity to save. That was presumably the intention of ministers, when they pressed the companies to remedy the unbalanced division of spoils between consumer and shareholder on privatisation.

### Interesting conundrum

At the other end of the spectrum come the special dividends to shareholders. These are small, in relation to the total of all the windfalls - £180m in Yorkshire Electricity's case - and a majority of the money will anyway go to pension funds, which are incapable of either feeling good, or passing on a feelgood factor.

The really interesting conundrum arises with the biggest numbers, which relate to the building societies. At first sight, a windfall of £15bn looks large in relation to the £3bn or more of tax cuts which independent forecasters expect in the budget. Yet direct comparison is misleading. In theory a shift from mutual to proprietary share ownership changes little: building societies and mutual insurers

### Lifetime patterns

More plausible, if generalised, evidence comes from established lifetime patterns of borrowing and saving. Most people borrow (or dissave) early in life, and save more in middle age and, to a lesser extent, in retirement. This is consistent with economic theory, which suggests that people tailor their consumption according to their perception of average income over their lifetime.

It follows that if people feel that their wealth has been increased by windfalls, they may limit the impact on consumption by spreading it into the future. Moreover, the chief building society beneficiaries are savers rather than borrowers, so the gains are, by definition, going chiefly to people in age groups with an above-average propensity to save.

Perhaps the most plausible argument for thinking that people will not treat these windfalls like tax cuts is that they will have learned a lesson from earlier wealth shocks, notably in housing. Windfall gains to home owners have been dramatically eroded since house prices started to fall in the present decade. And with personal sector indebtedness still very high, the best use for a cheque or share proceeds from the building society will in many cases be to pay down an excessive burden of debt. No doubt windfalls can enhance an existing feelgood factor, but whether they can create one when people are plagued with worries about job insecurity and declining house prices remains a matter for conjecture.

Italy is lurching towards a new period of perilous political instability.

Mr Lamberto Dini, the country's 54th postwar prime minister, may not survive a vote of confidence in parliament this week brought by the rightwing alliance headed by Mr Silvio Berlusconi.

Even if Mr Dini does survive, his eight month-old government, composed of non-parliamentarians, lacks the authority to last long.

Few now believe that another general election can be delayed later than March. The election campaign has already begun and the divisions in parliament are such that it would be surprising if any further substantive legislation can get through this legislature.

The political climate has changed so swiftly that even the fate of the 1996 budget - 10 days ago considered certain to pass through parliament - is in doubt. The Berlusconi alliance is now committed to vote against the budget. It can muster a majority if it is supported by Reconstructed Communism, a party formed from the hardline of the old Italian Communist Party. The stance of Reconstructed Communism's 24 deputies will also be crucial in determining whether this week's confidence vote brings down the government.

The privatisation programme looks certain to be another victim of the present turmoil, perhaps even the relatively simple and non-controversial sale of up to 20 per cent of ENI, the national oil group.

Nor are the financial markets likely to be sanguine about the turn of events. In the past three years, pressure on the lira has been one of the few elements forcing the politicians to their senses. But this time the national interest seems a long way down most politicians' list of priorities.

The next general election will be the third in four years. Between the dissolution of parliament, the election campaign and the formation of a new government almost six months elapse. For Italy's international partners this means the Italians can at best play a limited and distracted role when assuming the six month rotating presidency of the European Union in January. At home, important policy decisions and reforms - not least tough economic decisions to bring Italy into line with the convergence criteria of Maastricht - will inevitably be delayed.

The climate in which the next election will be held risks being chaotic. The existing electoral laws, introduced in 1983, are an unsatisfactory mix of the proportional (25 per cent of the seats) and the first past-the-post system. No anti-trust laws have yet been introduced to regulate Mr Berlusconi's use of the three television channels he owns

## A crisis of confidence

Italy's 54th postwar prime minister may be toppled this week by a vote in parliament, says Robert Graham



Perilous instability: Silvio Berlusconi (left) may benefit from a political crisis that has damaged Italian prime minister Lamberto Dini (centre) and president Oscar Luigi Scalfaro (right)

for his own political ends.

Mr Berlusconi himself is due to go for trial in January on charges of corruption related to bribes paid to the Guardia di Finanza financial police while running his Fininvest empire. He is bound to be tempted to turn the election into a referendum on his judicial position.

More serious, President Oscar Luigi Scalfaro, the ultimate political arbiter with the role of dissolving parliament and nominating a new prime minister, has been badly damaged by what has become known as the Mancuso affair.

This is the extraordinary series of events centred on last week's removal of the justice ministry portfolio from Mr Filippo Mancuso. This is what prompted the Berlusconi alliance to table its no confidence motion, hence triggering the present crisis.

Mr Mancuso last week allowed unred parts of a text of his defence to be distributed to the press. These

contained inflammatory insinuations that Mr Scalfaro had yet to account for the use of secret funds while running the interior ministry in the 1980s.

These insinuations have already led to talk of the head of state's possible impeachment. Certainly the rightwing alliance will be out for Mr Scalfaro's scalp.

The latest polls indicate the rightwing alliance including Mr Berlusconi's Forza Italia and the National Alliance of Mr Gianfranco Fini, can muster around 47 per cent of the vote. This would give it a slim majority over the centre-left, headed by the Party of the Democratic Left. But it would be hard to envisage the newly elected government lasting a full five-year term because of the large number of maverick groups and the tensions within the existing alliances.

The right has to resolve whether Mr Berlusconi, already responsible for one disastrous period in govern-

ment and with serious judicial problems, should remain its leader. Similarly, the centre-left looks increasingly unconvinced by the leadership of Mr Romano Prodi, the former head of IRI, the state holding company.

The cynics might say such instability is nothing new and Italy has always coped by showing great flexibility and ingenuity in crisis.

But many believe the present situation is particularly serious. There is a vacuum of leadership; all the institutions have had their credibility dented; and Italy's model of parliamentary democracy is manifestly failing without any convincing effort to overhaul it.

The saga of the Dini government eloquently illustrates this. Formed in late January by Mr Scalfaro, it was a last-ditch attempt to prevent general elections for the second time in a year. Mr Dini's parliamentary support came from the centre-left parties who were too divided

among themselves to form a government.

Initially the experiment of a technocratic government without a political colour suited almost everyone save Mr Berlusconi, who wanted a quick poll to recoup the premiership he lost in December 1994.

With considerable skill Mr Dini took advantage of the unwillingness of most politicians to face an early poll. But he was always no stronger than his parliamentary masters allowed.

The reform of Italy's costly state pensions system, agreed just before the summer, achieved what a succession of previous governments had failed to do. But the measures were far from radical and reflected his need to retain the backing of the left and the trades unions.

The same applies to the 1996 budget, presented at the end of September. It seeks to find £32,500bn in fresh revenues and spending cuts in order to cut the public sector deficit from 7.4 per cent of GDP to 5.9 per cent. This is insufficient to meet the convergence criteria of Maastricht by the end of 1998. But politically Mr Dini was unable to be tougher.

Originally Mr Dini's limited mandate was considered unlikely to last beyond this autumn, with general elections before the end of the year. However, he acquired a taste for power and was encouraged to stay on by President Scalfaro, who nursed the idea of forming a new Christian Democrat-style centre that would be the arbiter of Italian politics. His initial four-point agenda was easy to expand and, briefly this autumn, Mr Dini created the optimistic impression it would be possible to hold elections after the Italian EU presidency.

But Mr Mancuso, the justice minister, has exploded this scenario. For months he has been antagonising the centre-left parties by pursuing a vendetta against the country's investigative magistrates, especially those leading the anti-corruption drive in Milan. Since September he has raised the stakes by defying Mr Dini and the centre-left to stop him.

The Party of the Democratic Left, which last week went ahead with the separate no confidence motion against Mr Mancuso that triggered the present crisis, claims there was no telling the damage he might do if allowed to continue in office. However, it badly miscalculated the degree of Mr Mancuso's vindictiveness and the consequences of a justice minister making damaging allegations about his own prime minister and head of state.

As a result, the country is confronting its most serious postwar political crisis. There are unlikely to be any winners.

## Time to correct the UN's weaknesses



PERSONAL VIEW

Over the next few days, more than 150 heads of government will visit New York to address the historic 50th general assembly of the United Nations. Yet the present mood in UN headquarters is scarcely one of celebration.

The world organisation's many peacekeeping and peace enforcement successes have been overshadowed by events in Somalia, Rwanda and Bosnia - calamities that the UN could not adequately deal with. The vastly increased demands for peacekeeping and humanitarian aid are seen by poorer countries as a threat to the development assistance they depend on.

In spite of the efficiency measures that have been carried out over the past few years, there is a daily barrage of criticism - especially from the American right - about the UN's ineffectiveness, bureaucratic top-heaviness and poor personnel.

And the refusal of the US Congress to fulfil the US's international obligation to pay its dues has

plunged the organisation into the worst financial crisis in its history. Indeed, the world's leaders may even have their anniversary events jolted tomorrow by a warning by Mr Boutros Boutros-Ghali, the secretary-general, that the UN faces imminent bankruptcy.

Even supposing this fiscal crisis is avoided, there remains a widespread feeling that the organisation is in deep trouble.

Yet the changes needed to correct the UN's present weaknesses can only come about through the actions of governments themselves. They are, in effect, the shareholders of this global corporation. And it is the decisions they take that will determine what is changed.

It is helpful to divide the proposals for reform into three categories. The first comprises suggestions for improving the efficiency and quality of the UN agencies and offices, and for eliminating waste.

Such reforms ought to reduce some of the political hostility directed at the UN. But even if the world body were turned into the most austere, high quality and smoothly running organisation the

world had ever seen, that would still not make it capable of handling the many and varied demands placed upon it. Cleaning out the stable helps, but it is no substitute for real changes.

The second category takes in the many other ways of enhancing the UN's capabilities that could be implemented by administrative restructuring and innovation, or by

**There is daily criticism of the UN's ineffectiveness, top-heaviness and poor personnel**

the member states simply agreeing to amend procedures. In the field of international security and peacekeeping, for example, the security council could ensure that clearer distinctions were made in the mandates for the very different types of operations - peacekeeping, peace enforcement, peacebuilding - that it authorises.

Nations could endorse the Cana-

dian proposal for establishing a rapid reaction capability that would be immediately available when called for by the security council. Better gathering of information about deteriorating crises, and more systematic preventative diplomacy, could be devised.

Ways might be found to bring the Bretton Woods agencies into a closer consultative relationship with the UN programmes dealing with development. Member states might also be able to hammer out a co-ordinated response to the issue of "failed states", devising measures between the refugee camp and normal development processes. None of these would require significant alterations in the UN's basic architecture, or involve amending the charter.

Finally, there are the politically tricky - but vitally important - changes needed to make the UN more representative, legitimate and effective. These include: adding new permanent and non-permanent members to the security council, modifying the power of permanent members to veto council decisions; replacing the UN's ineffectual eco-

nomic and social council by something smaller and stronger; creating a volunteer standing force, directly at the security council's disposal, to meet urgent crises; and giving the UN its own source of funds, such as a levy on foreign-exchange transactions or international air tickets.

Agreement on these points - if it is ever possible - will take years to achieve. Many governments will probably prefer to tackle the less controversial issues - and it would do much to improve the UN's prospects if they successfully did so.

But it is crucial that the greater challenges are not summarily dismissed. After all, the world's governments have only one chance to measure the first half century of their own organisation's record, and to ponder how to make it more effective. That moment has come.

Paul Kennedy

The author is professor of history at Yale University and was co-director of the secretariat to the independent working group on the future of the United Nations.

## OBSERVER

### Cultural liability

Deutsche Bank has become used to making waves. The latest embarrassing ripple from Germany's premier bank concerns the appointment of the outspoken widow of Willy Brandt, former German Social Democratic Chancellor, as head of its cultural and social department.

Brigitte Seebacher-Brandt, 49, positively courts controversy. Just as her appointment took effect last week, her latest book - a series of profiles of prominent Germans - made headlines which must have been anything but welcome to the bank. The reason was an attack on Berthold Beitz, the respected 82-year old former boss of the Krupp engineering concern.

Unlike the other profiles, which had appeared in the daily Frankfurter Allgemeine Zeitung, the Beitz portrait was new. Calling him cold and high-handed, with "no trace of charm", she ignored Beitz's actions to save Jews and Poles from the Nazis during the war.

Why did Deutsche Bank appoint such a controversial figure, who has moved steadily to the right since her SPD days, to run its cultural sponsorship, historical and social activities? No doubt, it had not expected the unfavourable publicity that greeted her book. But it is another sign that Deutsche Bank -

still smarting from the Metallgesellschaft oil trading and Schneider property debacles - has lost its once sure touch.

### Missionary position

A wonderful storm is brewing in Vietnam over a British trade mission to Hanoi, due to land early next month.

Despite being billed as a thoroughly British affair, led by no less a figure than minister of state, Lord Fraser of Carmyllie, representatives from BankAmerica and the Australia and New Zealand Banking group tag along are being allowed to tag along.

Maybe someone ought to warn the chaps back home that UK banks in Hanoi are fighting tooth and nail with these two over the tiny Vietnamese banking market. They are hardly likely to welcome such intense rivals arriving on such a mission. Nor is it enough to argue that, because ANZ now owns Grindlays, once aukka British bank, it's all kosher. If that holds water then why not invite BMW, given that it owns Rover?

### History lesson

It was just a slip of the tongue but it may have a kernel of truth. When Karel Van Miert, the EU's competition commissioner, started a speech in Bonn the other day he inadvertently addressed Germany's

finance minister Theo Waigel as "Mr Chancellor".

Nervous titters all round, especially when Waigel responded by listing at considerable length all the European finance ministers past and present who had gone on to become heads of government.

However, Waigel was quick to prove his loyalty as well as his wit by saying his observations were in no way intended to fuel speculation over who one day might take over from chancellor Helmut Kohl.

On the other hand, Waigel is increasingly seen as a front runner for Germany's top job if and when Kohl decides to go. He has the advantage of a high profile and the experience of already being a party boss, heading the Bavarian-based Christian Social Party in Germany's ruling coalition. There are few members of Kohl's Christian Democratic Union in such a position, because the chancellor has always been careful to curb the power of his subordinates.

### Six of the best

India's cricket team captain Mohammed Azharuddin has put his foot in it. Reebok had signed him up to endorse a new line of designer shoes and help it break into the Indian market. All was going well until a local paper in Azharuddin's home town of Hyderabad, which has a big Moslem population, carried a photograph of him autographing Reebok shoes.

Many Moslems felt the cricket star should not have put his name - which includes the Prophet's name and "Azhar", an appellation for Allah (God) - on shoes, which in the Islamic religion are considered lowly and unholy. The newspaper was flooded with angry letters and telephone calls and Azharuddin a devout Moslem, has had to apologise and is reconsidering the Reebok connection. The affair has taken the shine off his victory over New Zealand last week when he was declared man of the match.

### Dangerous ground

An elderly, overweight bishop was returning home across a marshy field when his feet started to sink under him. An anxious parishioner, spotting his plight, called the fire brigade. "Do not worry, God will take care of me", said the self-assured cleric.

As he trudged on, his feet sank deeper and deeper, and the fire brigade was re-called. Once again the cleric admonished his parishioners for not taking him at his word. A few minutes later he had sunk from sight.

While the bishop was glad to find himself in heaven, he was not particularly happy about the method of his arrival and took the issue up with his maker. "Why did you let me down in front of those unbelievers?", asked the bishop. "Let you down?" came the reply. "I sent the fire brigade twice."

## Financial Times

### 100 years ago

Editor scorns reader's letter We have received the following epistolary curiosity. Sir: I am exceedingly annoyed that you have not inserted my letter under the heading "Transvaal Gold and Lydenburg". It is quite evident that aggrieved Transvaal shareholders should not look to the Financial Times for the slightest help in bringing their opinions to the notice of their fellow shareholders. From today I have discontinued your paper and several of my friends are doing the same. J. Henry Gibson

Mr J. Henry Gibson and his friends may do as they choose. For the benefit of our other readers, we may mention that the communication to which this impudent letter refers was regarded as ineligible for publication - firstly, because its language was so intemperate as to border on libel. If it did not pass the boundary; secondly, because it was so verbose that it would have occupied at least half-a-column of the Financial Times; thirdly, that Mr Gibson sheltered his semi-bellous statements behind a "nom-de-guerre". In view of the temperament of the writer, we congratulate ourselves on having wisely exercised the editorial discretion by consigning his previous letter to the waste-paper basket.



## Kantor takes tough stance at trade meeting China far short of WTO entry criteria, says US

By Guy de Jonquieres in Harrogate, northern England

The US has accused China of falling far short of the requirements for membership of the World Trade Organisation and has said that Beijing needs to negotiate more constructively if progress is to be made on its stalled application to join the WTO.

Mr Mickey Kantor, the US trade representative, said at the weekend that the world's leading trading powers were "deeply concerned about China's failure thus far to meet even the minimum criteria" for WTO entry.

"I don't know of any major trading nation that's been impressed by the Chinese offer so far," he said.

"We are all united in supporting China's WTO accession," Mr Kantor said at an informal meeting here of trade ministers and senior officials of the "Quad" powers - the US, the European Union, Japan and Canada.

"We look to China to respond to the clear essentials of the fundamental rules of the WTO." The timing of its admission was

"up to China", he said. Mr Kantor's remarks are among the toughest recently by any US official in connection with China's WTO entry.

They follow a visit to China last week by Mr Ron Brown, the US Commerce secretary, and preceded this week's talks in New York between US President Bill Clinton and President Jiang Zemin of China.

Sir Leon Brittan, the EU trade commissioner, who chaired the Harrogate meeting, made clear that all the "Quad" powers agreed with the US that prospects for the stalled WTO negotiations depended on Beijing. "We look to a further response from China," he said.

Officials said that the ministers wanted to send a clear signal to Beijing about the importance they attached to the WTO talks. They agreed informally to seek to relay this message in future high-level contacts between their governments and Chinese authorities.

The officials said, however, that the ministers were unsure whether China was behaving

inflexibly because its leaders had failed so far to focus seriously on its WTO application, or because they were divided over how to proceed.

There have been no negotiations between the WTO and China since the summer. Though talks were due to resume in Geneva last month, they are thought unlikely to do so before December.

The "Quad" powers sought this weekend to present a united front to Beijing, but they still appear to differ over tactics.

The "Quad" ministers pledged to co-operate more closely to complete the unfinished business of the Uruguay Round world trade agreement and to bring into the WTO new issues including the links between trade and investment, competition policy and labour standards.

The ministers also agreed, under EU pressure, to create an institutional mechanism for transferring quickly to the WTO negotiations on liberalising investment recently launched in the Organisation for Economic Co-operation and Development.

## Chancellor seeks to ease City fears on UK tax cuts

By Gillian Tett and John Kampfner

Mr Kenneth Clarke, the UK chancellor of the exchequer, yesterday sought to dampen City concerns that next month's Budget would seriously damage public finances by reiterating his commitment that there would be "no tax cuts if we can't afford it."

His comments are likely to delight officials in the Treasury and Bank of England, following a meeting of his senior aides at Dorneywood, the traditional country home of the chancellor, on Friday.

Treasury officials have been at pains in recent days to counter mounting demands from within the ruling Conservative party for large tax cuts.

These demands may be fuelled again today if, as expected, preliminary estimates of economic growth in the third quarter of the year provide further signs that the pace of growth is slowing.

Mr Clarke's comments presented a shift of emphasis from his speech to his party's annual conference earlier this month. Then he strongly hinted at large forthcoming tax cuts, with a particular focus on the family.

Tory backbenchers have warned that a failure to announce appreciable tax cuts, including a reduction in the basic rate, could prove electorally disastrous.

Mr Clarke also signalled he would not be swayed into falling into line with the more Eurosceptical positions taken by cabinet colleagues at the conference.

He dismissed the announcement by Sir Alan Walters, former economic adviser to Baroness Thatcher, the former prime minister, that he will stand as a candidate of the Referendum Party of Sir James Goldsmith in Mr Clarke's Rushcliffe constituency.

Sir Alan said he was not challenging Mr Clarke on his economic record, although he said he had some "modest criticisms".

Although Sir Alan would have virtually no chance of overturning Mr Clarke's 19,000 majority, such opposition would rekindle Conservative divisions over Europe that had recently eased.

Mr Clarke described as "foolish" speculation that Mr John Major, the prime minister, was close to agreeing to a commitment in the manifesto for the next general election to rule out a single currency.

He refused to be drawn on whether he would resign if such a policy were agreed by cabinet. The government's decision to rule out entry before 1997 and reserve judgment following that was, Mr Clarke said, "the only sensible one in the national interest".

## THE LEX COLUMN

### Stet's wrong number

The mayhem in Italian politics may well derail the country's privatisation programme. However for the telecoms sector, at least, this could be a blessing in disguise. The delay would provide a golden opportunity to restructure the industry, so boosting the eventual sale proceeds.

In telecoms, as in so many other sectors, Italy has adopted a holding company structure that is more suited to the accumulation of managerial power than the advancement of shareholder value. At the top of the pyramid sits Stet, a state-controlled quoted vehicle. Stet, in turn, controls the country's main fixed and mobile telecoms networks plus a number of manufacturing, software and publishing businesses - many themselves quoted. Stet's market capitalisation is about 20 per cent less than the sum of its parts.

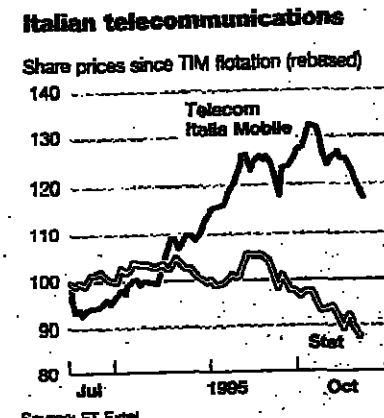
More than any other European telecoms group, Stet is crying out to be broken up on the lines planned by AT&T of the US. There is little industrial logic in keeping its manufacturing and services businesses yoked together; in fact, as competition grows they will increasingly get in each other's way. There is more logic in combining Telecom Italia and Telecom Italia Mobile. But given that they were demerged in July, there is no point in keeping them under Stet's umbrella.

Splitting Stet up would not only lead to more focused management; it would also provide investors with a pure play on the different businesses. International investors are swamped by European telecoms privatisations. Italy has everything to gain by making its own as appealing as possible.

### HK conglomerates

It would be easy to imagine there has been a change of heart at Hong Kong's sprawling conglomerates. After years of accumulating assets in areas as diverse as property, ports and telecoms, they are making moves to unbuckle. New World Development is floating off China infrastructure projects and hotels; Hutchison Whampoa plans to float its Orange mobile phone business and Pearl River delta ports; Citic Pacific is considering listing Dragonair.

The potential benefits are clear. New World's share price has risen almost 60 per cent this year, as its plans emerged. Its infrastructure subsidiary is being issued at a racy price and is a means of passing on debt and funding obligations from the parent



Source: FT Index

company. Meanwhile, Hutchison has been buoyed by its plans to float Orange, which was previously dismissed as a black hole. In time, Whart should follow suit with its cable and telecommunications business. This is holding back Whart's earnings and share price, due to long pay-back periods, but would be highly attractive to international investors.

Nonetheless, investors should not get carried away in anticipation. Demergers are not being made to add shareholder value through more efficient management structures. Hong Kong's family-controlled conglomerates are more interested in power than short-term investment gains, since they have no plans to sell off their shares. Any spin-offs are likely to be opportunistic moves to off-load debt and capital commitments, so freeing up firepower for more conglomerate.

### Medical devices

Long regarded as the poor cousins of the pharmaceutical industry, medical device companies are enjoying a merger frenzy of their own - though most of the activity has so far been in the US.

Fancy prices are being paid. Last week's \$1.7bn bid by Johnson & Johnson for Cordis values the target at 23 times forecast 1995 earnings and almost four times annual sales. Even that has not, so far, secured Cordis's agreement and with its shares nearly 10 per cent above the offer price, an improved bid looks likely. Rivals such as Boston Scientific and Metronix already trade on multiples of nearly 30 times next year's earnings.

Such valuations reflect the industry's technological advances since the days when it relied on bandages and lotions. Johnson & Johnson's latest

bestseller is a stent - a metal scaffolding used to stop arteries closing after surgery. Cordis makes the balloons through which stents are implanted and diagnostic products which would broaden Johnson & Johnson's presence in the booming cardiology market. Increasingly, large healthcare companies see the marriage of drugs and devices as one more way of appealing to managed care and hospital customers.

The implications for European device companies are positive. Ironically, shares in Britain's Smith & Nephew fell last week because it has been seen as a rival target for Johnson & Johnson. But with strong positions in artificial hips and knees and instruments for keyhole surgery, Smith & Nephew may find itself drawn into the industry's consolidation.

### UK electricity

The imminent demerger of the National Grid will be good for regional electricity company (REC) shareholders not simply because they will receive shares in the group; the flotation will also trigger another round of financial restructuring. Once the remaining independent RECs have a clear picture of the effect of the demerger on their balance sheets, they will have no excuse to postpone gearing themselves up. As utilities with steady cashflows, they can support high levels of indebtedness. Excess capital can be handed back to shareholders.

Yorkshire Electricity started the ball rolling last week with a 2180m special dividend. But only one of the companies, Northern Electric, has yet taken the process to its logical conclusion. Northern's pay-out of nearly \$5 a share - dating from its scorching earth defence against Trafalgar House's bid - was initially viewed as excessively risky by some investors. But shareholders are rightly recognising that its projected balance-sheet gearing of about 175 per cent is irrelevant. With operating profits more than three times interest plus preference dividend payments, the business is well able to finance its borrowings.

As the market has become used to Northern's higher indebtedness, the company's juicy yield has enticed shareholders back. The shares have climbed nearly 40 per cent from their low. Once the 97p preference share is added to the 28.65p ordinary share, investors have received more than Trafalgar was offering - and close to what Hanson paid for Eastern.

## Leaders in dispute at UN gathering

Continued from Page 1

Mr Clinton was the first of more than 150 world leaders to speak at the three-day commemorative session, with an appeal for a new international initiative to combat terrorism, drug-trafficking and the spread of nuclear, biological and chemical weapons.

However, he failed to give Mr Boutros Ghali an assurance that Washington would rapidly pay its arrears of more than \$1.3bn to the UN budget. While he promised to meet, in full, the US obligations, he could only assure the assembly he was working to persuade the US Congress to do so.

He did seek to counter widespread US criticism of the UN, and the high cost of membership: "The UN has not ended war, but it has made it less likely, and helped many nations to turn from war to peace."

Mr Yeltsin was even more forceful in his tribute to the UN role, saying that it "can and should become the main instrument of building new international relations", and pointing out that Russia is meeting its financial obligations.

In a very pointed attack on US policy in former Yugoslavia, the Russian leader charged that the UN security council was being "relegated to the sidelines" of the efforts to achieve peace in Bosnia. Russia was ready to support the operation to implement a peace agreement, he said, but "only under a clear-cut mandate of the UN security council".

## Dini threatened by confidence motion and budget vote

By Robert Graham in Rome

Mr Lamberto Dini, the Italian prime minister, this week faces a no-confidence motion brought by the rightwing alliance led by former premier Silvio Berlusconi, with a limited chance of survival.

Some politicians in the centre-left parties backing the eight-month-old Dini government have said it would be wiser to resign before the vote. This, they said, would make it easier for him to lead an interim administration with a brief to prepare the country for an early general election.

Parliamentary leaders are due to meet today to decide the date for the no-confidence motion, introduced late on Friday. Three days must elapse between registering the motion and holding the debate.

A factor affecting the timing is the hearing by Italy's constitutional court on Tuesday on whether to accept the case submitted last week by Mr Filippo Mancuso, the outgoing justice minister, who was removed from the justice portfolio last week after a vote of no-confidence against him in the senate by the centre-left parties.

Mr Mancuso has challenged the validity of the senate's action. He has been championed by the rightwing alliance and his dismissal led directly to Mr Berlusconi calling for a vote against the Dini government.

"This government has exhausted its mandate," Mr Berlusconi said yesterday. "It has become a political government supported by the left."

Despite disagreements in the Berlusconi camp on the wisdom of forcing a showdown, all party leaders in the rightwing alliance have supported the motion. It was carefully framed to state that Mr Dini had exhausted his "technocratic" mandate and that his administration had become overtly "political" and dependent on the centre-left parties.

The wording was intended to appeal to the 24 deputies of Reconstructed Communism, formed from the hardline of the old Communist party. Their support is crucial if the motion is to pass. The party has lately increased its attacks on the Dini government but it will not be easy for them to be seen associating with the right.

Mr Fausto Bertinotti, the RC leader, has pledged to vote against the 1996 budget in line with Mr Berlusconi's rightwing alliance. That led commentators to conclude yesterday that if the Dini government survived the no-confidence motion, it would probably fall on the budget.

Financial analysts said yesterday that the crisis on the budget could have a negative impact on the stock market and lira.

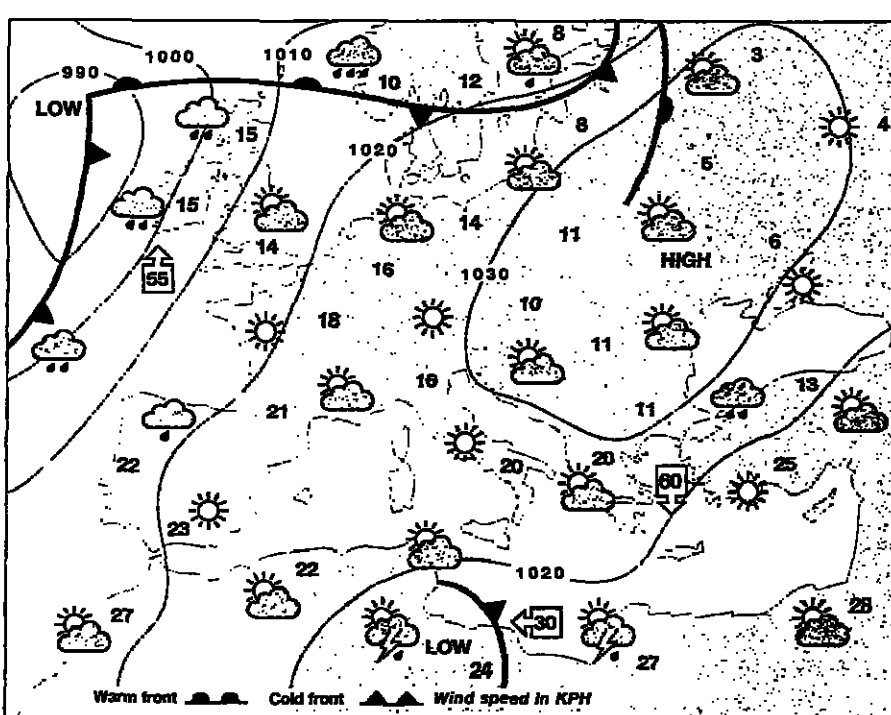
A crisis of confidence, Page 19

## Europe today

Rain will spread across Ireland and Scotland as a low pressure system approaches from the Atlantic. Winds will reach near gale force in the afternoon. However, England will remain dry. Unsettled conditions with occasional rain are expected in southern Scandinavia. It will be fair over much of the continent as high pressure dominates. It will be sunny in Germany, the Alps, central and northern Italy, and along the Bay of Biscay. Eastern Spain will have a few light showers, while sunny conditions will prevail in southern Spain. There will be heavy thunder storms in Tunisia and Malta. Cool air accompanied by northerly gales will move south across the Aegean Sea.

## Five-day forecast

The British Isles and western France will have rain and southerly gales on Tuesday. The gales will spread across the low countries in the evening. Portugal and northern Spain will have persistent rain. High pressure will bring dry and sunny conditions to central and eastern Europe.

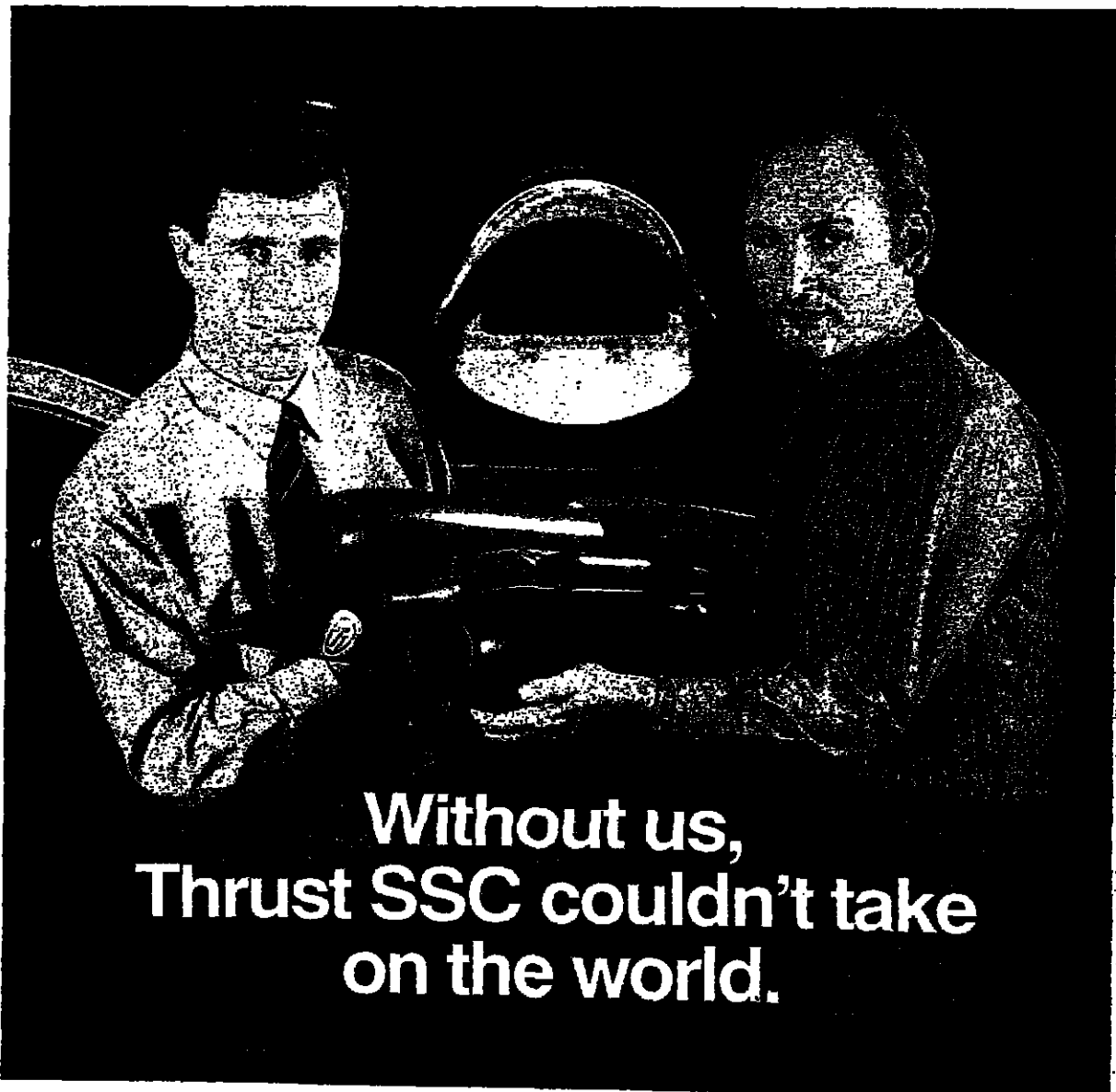


## TODAY'S TEMPERATURES

Location	Temperature
Abu Dhabi	31
Accra	31
Algiers	22
Amsterdam	15
Athens	19
Atlanta	23
B. Aires	26
Baham	26
Bangkok	32
Barcelona	19
Batavia	26
Bombay	26
Buenos Aires	26
Calcutta	26
Cairo	26
Canton	26
Cebu	26
Colon	26
Dakar	26
Dhaka	26
Dubai	26
Dublin	11
Edinburgh	17
Hankow	26
Hong Kong	26
Kobe	26
Kuala Lumpur	26
London	11
Los Angeles	26
Lyons	11
Manila	26
Medan	26
Moscow	11
Mumbai	26
Nairobi	26
Paris	11
Perth	26
Prague	11
Rangoon	26
Rio de Janeiro	26
Rome	19
S. Francisco	22
Seoul	19
Singapore	26
Stockholm	12
Strasbourg	17
Sydney	20
Taipei	26
Tokyo	21
Toronto	15
Vancouver	12
Vienna	12
Warsaw	11
Washington	23
Wellington	12
Winnipeg	5
Zurich	16

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